Hong Leong Bank Berhad

Annual Report **2019**

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To be a Highly Digital and Innovative Financial Services Company

The Business

As a bank that places customers at the core, HLB leverages the latest in digital technology to offer meaningful financial products and services that fulfil customers' needs. We look for opportunities in the challenges faced by individuals and businesses in their banking needs today so that we can innovate customer experiences tomorrow. We will continue to embrace opportunities that new technologies bring and strive to deliver the best digital and human experiences available in the market, so that clients can benefit from banking with HLB.

Hong Leong Bank Berhad ("HLB" or "the Bank") is a leading financial services institution based in Malaysia, providing regional services of wide ranging and innovative financial solutions. These services are delivered through traditional means and comprehensive digital channels – online and mobile banking, as well as a digital branch concept designed to provide complete customer satisfaction with a simple, efficient and seamless experience aided by technology.

HLB's extensive branch network extends beyond Malaysian borders with one branch each in Labuan Offshore, Singapore and Hong Kong respectively, four branches in Vietnam, six branches in Cambodia, and a representative office in Nanjing, China, as well as a full-service call centre and more than 1,100 self-service terminals. Wealth Management services are offered through branches in Malaysia, Singapore and Hong Kong, in addition to various Priority Banking centres located throughout Malaysia and one in Singapore.

With the rapidly-changing financial landscape, coupled with fast-paced technological changes, staying attuned to our customers' expectations and aspirations are critical to our ongoing efforts to develop capabilities and banking products and services that are centred on clients' needs.

HLB's ethos of being Digital at the Core will continue to propel us to innovate and leverage on technology to increase efficiency and productivity towards improving the overall customer experience, as well as to future proof our workforce by upskilling employees' competencies and skill sets.

The digital ambition of HLB is to continuously provide our customers with a personalised approach and simpler, more efficient and seamless banking experience for them to live life "uninterrupted".

HONG LEONG BANK'S KEY BUSINESS PILLARS ARE:

Personal Financial Services

Principal business activities include providing banking services and financial products which include property, auto, personal loans, payment products, share financing, investment and insurance, as well as deposits and remittance to individuals and small businesses.

Business & Corporate Banking

Principal business activities include the provision of banking solutions such as deposit and loan services covering business current account, interest-bearing auto-sweep as well as fixed deposit, and financing options ranging from asset acquisition, working capital, and debt capital market structures, for our corporate, commercial and SME client base. HLB also specialises in the provision of transaction banking solutions via cash management, trade financing and services.

REGIONAL FOOTPRINT

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

SINGAPORE OPERATIONS

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

HONG KONG OPERATIONS

The Bank's branch in Hong Kong offers Treasury and Wealth Management products and services. It is also the first bank in Hong Kong to launch an Islamic banking window. We see an opportunity in the SME space, hence the branch has focused on developing a value proposition that would allow us to build an SME business base. We hope to be able to take this to market this new financial year.

VIETNAM OPERATIONS

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

CAMBODIA OPERATIONS

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

INVESTMENT IN CHINA

HLB was the first Malaysian bank to enter the Chinese banking sector in 2008 with a strategic investment in Bank of Chengdu Co., Ltd ("Bank of Chengdu") and has an 18% stake in the company. Bank of Chengdu is a leading city commercial bank in Western and Central China based in Chengdu, the capital of Sichuan Province which is listed on the Shanghai Stock Exchange. HLB also holds a 12% equity investment in Sichuan JinCheng Consumer Finance Company, a licensed consumer finance firm established in Chengdu in March 2010. In November 2013, HLB had set up a representative office in Nanjing which commenced operations in February the following year.

Global Markets

Principal activities include assisting customers to meet their investment and hedging needs through various treasury products, ranging from foreign exchange, money market, derivatives including interest rate swaps and interest rate swap options, to structured investment products.

Islamic Financial Services

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

Asia's Best Brand Awards 2018

Asia's Best Brand

Organised by **CMO Asia**

The International Banker 2018 Asia & Australasia Awards

Best Innovation in Retail Banking Malaysia

Organised by **International Banker**

2nd Selangor International Business Summit 2018

CEO of the Summit Award

Organised by **Invest Selangor**

Asiamoney Best Banks Awards for Malaysia 2018

Best Domestic Bank

Organised by **Asiamoney**

Awards & Accolades

Asiamoney Best Banks Awards for Malaysia 2018

Best Digital Bank

Organised by **Asiamoney**

IDC Digital Transformation Awards 2018

Omni-Experience Innovator for Malaysia

Organised by **IDC**

HR Excellence Awards 2018

Excellence in HR Innovation - Gold

Organised by **Human Resources Magazine**

HR Excellence Awards 2018

Excellence in Innovative Use of HR Tech - Gold

Organised by **Human Resources Magazine**

HR Excellence Awards 2018

Excellence in Workplace Wellbeing - Bronze

Organised by **Human Resources Magazine**

Life at Work Awards 2018

Best New Entrant for a Malaysian Organisation

Organised by **TalentCorp**

Malaysian Investor Relations Association Awards 2018

Most Improved Service from IR Team

Organised by **Malaysian Investor Relations Association**

Malaysian Investor Relations Association Awards 2018

Best IR Professional

Organised by **Malaysian Investor Relations Association**

Billion Ringgit Club

Highest Return to Shareholders over Three Years

Organised by **The Edge**

Asia Sustainability Reporting Awards 2018

Asia's Best Materiality Reporting (Finalist)

Organised by **CSR Works**

Best Treasury & Cash Management Banks and Providers Awards 2019

Best Bank for Cash Management in Malaysia

Organised by **Global Finance Magazine**

The Asian Banker at the International Excellence in Retail Financial Services 2019

Best SME Bank in Malaysia

Organised by **The Asian Banker**

Inspirational Starz Award 2019

ASNB Inspirational Starz Awards Nite

Organised by **Permodalan Nasional Berhad**

CGC SME Awards 2019

Top Financial Institution Partner - Overall Category

Organised by **Credit Guarantee Corporation Malaysia Berhad**

Digital Awards 2019

Best Use of Data (HR) for HALI - Silver

Organised by **Malaysian Digital Association**

Digital Awards 2019

Best Platform Development (HR) for HALI - Bronze

Organised by **Malaysian Digital Association**

Digital Awards 2019

Best Use of Social Media for CSR Campaign - Bronze

Organised by **Malaysian Digital Association**

Digital Awards 2019

Most Innovative Recruitment Strategy (In-House) - Gold

Organised by **Malaysian Digital Association**

The Asian Banker Transaction Awards 2019

Best Payment Bank in Malaysia

Organised by **The Asian Banker**

CSR Malaysia Award 2019

Company of the Year (Supporting Social Enterprises)

Organised by **CSR Malaysia**

Hong Leong Bank **Story**

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

HLB was originally incorporated as Kwong Lee Mortgage and Remittance Company in 1905 in Kuching, Sarawak and later as Kwong Lee Bank Limited in 1934, bearing heritage of the oldest local financial institution in Malaysia. Kwong Lee Bank Berhad was acquired by the MUI Group in May 1982 and renamed Malayan United Bank Berhad on 2 February 1983. In 1989, it was renamed as MUI Bank. Under the MUI Bank banner, it grew from 11 to 35 branches nationwide. On 3 January 1994, Hong Leong Group acquired MUI Bank Berhad through Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad) and renamed it Hong Leong Bank Berhad. The Bank was listed on the Kuala Lumpur Stock Exchange (now under Main Market of Bursa Malaysia) on 17 October 1994 and since then has grown by leaps and bounds, organically as well as through mergers and acquisitions. Its merger with EON Bank Group in 2011 placed HLB as Malaysia's fifth largest banking group; with over RM200 billion in assets as at 30 June 2019.

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

over RM200 billion in assets
as at 30 June 2019

Locations

Key Focus Areas

- Customers
- Talent
- Community
- Entrepreneurship

Hong Leong Bank Story

Personal Financial Services

Business & Corporate Banking

Global Markets

Islamic Banking

Technologically Focused:

Digital at the Core

Customer Centred Solutions

Strong Entrepreneurial Heritage

Channels

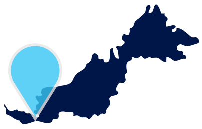
- Mobile Banking
- Internet Banking
- Branches
- Self Service Terminal
- Call Centre

Core Values

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

Corporate **Milestones**

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

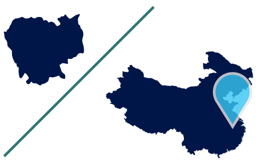


1934
Incorporated as Kwong Lee Bank Limited

1989
Renamed as MUI Bank, operating with 35 branches

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

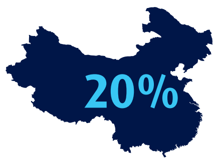
2013
- HLBCAM commenced its operations
- Set up representative office in Nanjing, China



2011
HLB completed merger with EON Bank Group

2009
HLBVN opened its doors in Ho Chi Minh City

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



Intensified digitisation of HLB's products and services

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

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

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

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

HongLeong connect BIZ

Corporate Milestones

2018

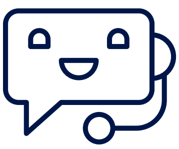
- Rolled out Robotic Process Automation projects
- Launched comprehensive online banking platforms for corporate, commercial and SME banking (Hong Leong Connect First)

HongLeong ConnectFirst

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

HongLeong Bank smartup

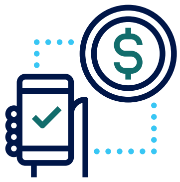
- Established the first Hong Leong Bank Digital Concept flagship branch in Damansara City, featuring Personalized Teller tablets, Teller Assisted Units and a Discovery Zone interactive digital platform
- Piloted Multi-lingual Robot Concierge services at Damansara City Priority Banking Branch
- Introduced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



2019

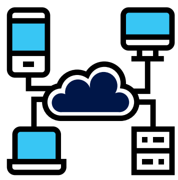
Business

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



Innovation

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



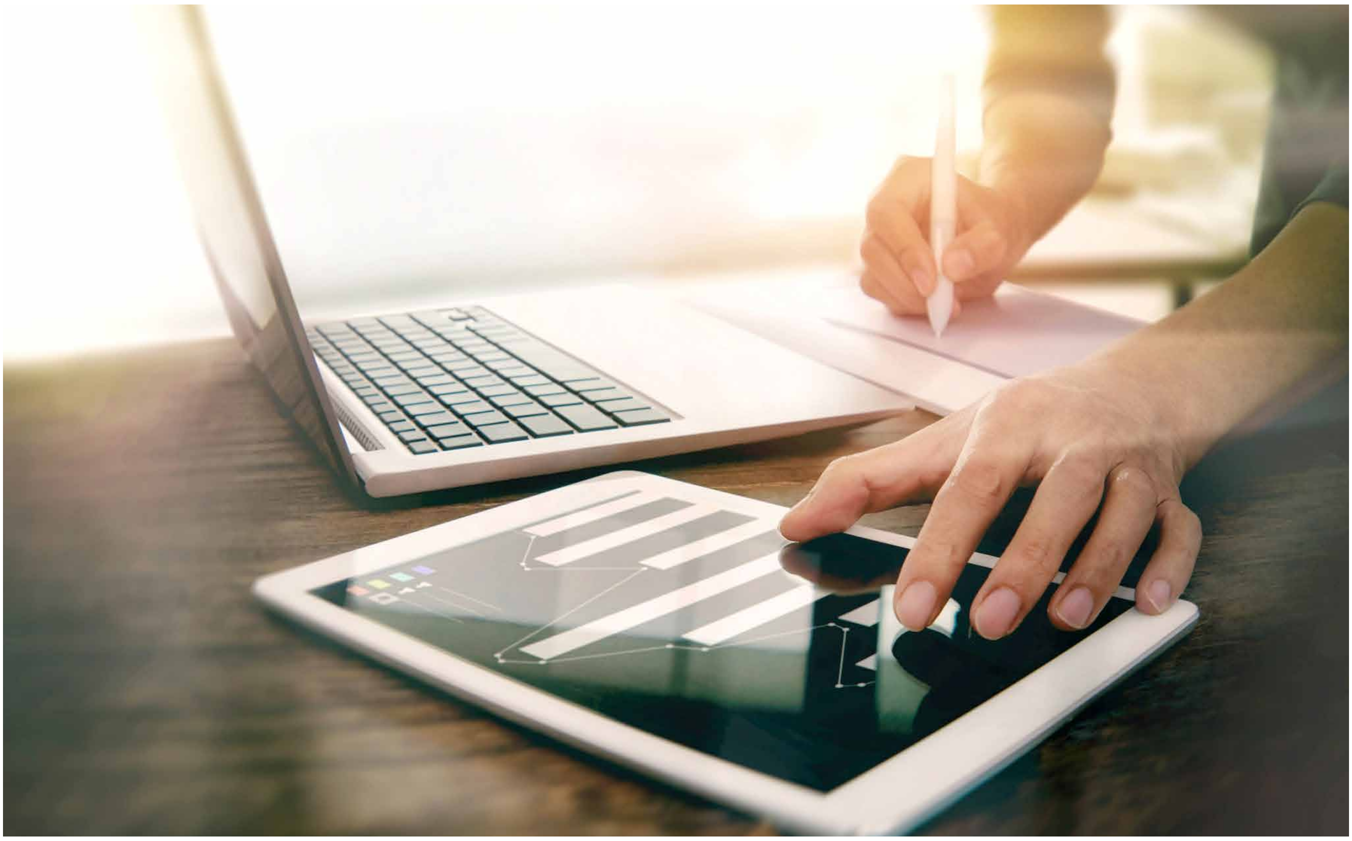
People

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

CSR/Community

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

Chairman's **Statement**



"

Hong Leong Bank ("HLB" or "Bank") successfully navigated a challenging year to deliver a commendable set of results in the 2019 Financial Year ("FY2019"). During the year, we achieved new milestones and continued to make crucial inroads with our digitisation initiatives. The Bank made RM2,665 million in net profit in FY2019, sustaining its growth momentum and marking a new high in the process.

"

The good performance was largely due to robust loan growth and improved asset quality, despite the recent cut in Overnight Policy Rate ("OPR"), which added pressure to net interest margins amidst continuing intense competition in funding costs. Total assets stood at a record RM207.4 billion, after crossing the RM200 billion mark last year. The Bank's attentive and prudent management continues to deliver sustainable financial performance and growth. Given the expectation of a more moderate to lower global and domestic economic

Net profit

RM**2,665**

Million

growth in the coming year, the Bank will focus on steady growth in the loan book, maintaining our high standards in credit risk metrics, with continued cost management and digital initiatives to ensure our growth momentum continues moving forward.

We expect the Bank's 2020 Financial Year ("FY2020") performance to sustain its momentum on the back of steady growth in the Malaysian economy despite moderating to lower global economic growth. The Malaysian economy remains healthy and grew at a quicker pace of 4.9% year-on-year ("y-o-y") in the second quarter of 2019, supported by private consumption and exports. Given the softening global economy and intensified trade war, the Malaysian economy will face external headwinds in sustaining its growth momentum in the immediate term.

Resilience in domestic consumption and a revival in investment activities to counter the slowing effects from the external environment will be crucial driving factors to promote continued growth. The drive to improve governance standards by the government is encouraging as it will lift transparency and will yield long-term benefits in promoting Malaysia as a desirable place to invest. We expect the Malaysian economy to fundamentally benefit from the government's policy reforms and prudent fiscal management but are mindful of various downside risks surrounding the global growth outlook, in particular the escalation of the now more-than-one-year long trade dispute between the US and China.

It gives me great pleasure to present to you the Annual Report and Financial Statements of the Bank for the financial year ended 30 June 2019.

ECONOMIC CONDITIONS

The Malaysian economy continued to be resilient and fundamentally sound in FY2019, supported by domestic demand and continuous expansion in exports. Inflation stayed benign following the removal of the Goods and Services Tax (GST) in June 2018 and is unlikely to trend much higher in 2019. Meanwhile the nation's current account surplus and sizable foreign reserves will be able to buffer most unforeseen external shocks. We have faith in the domestic financial markets which has weathered uncertainties in the global financial markets time and again. The Malaysian banking sector is healthy, well capitalised and will continue to play a crucial role to support the country's economic growth.

On the external front, worries over an escalating trade war continue to loom large as the US and China remain locked in an extended trade policies disagreement. The dispute has weighed on manufacturing industries across major economies which was reflected in the fall of JP Morgan Global Manufacturing Purchasing Managers' Index (PMI) to 49.4 points in June 2019, the lowest reading since October 2012. As the situation intensifies, it is causing a recalibration of the global supply chain and subsequently dampening both business and consumer confidence while rattling the equities and futures markets globally. Major central banks, most notably the US Federal Reserve and the European Central Bank, have postponed earlier intentions to normalise their historically low interest rates in response to the challenging macroeconomic backdrop, with the former reducing its key benchmark rate by 25 basis points ("bps") in July 2019, its first rate cut in over a decade. In other parts of the world, central banks have taken a more dovish stance, with Australia, New Zealand, Indonesia,

The Bank has positioned itself to benefit from the rise of FinTechs by collaborating and creating a platform for FinTechs to showcase their real world applications.

Philippines, India and Thailand already opted to cut key policy rates. Similarly at home, Bank Negara Malaysia had also adjusted its OPR downwards by 25 bps to 3.00% in May 2019.

FUTURE-PROOFING THE BUSINESS

While this financial year presented its fair share of challenges to the Bank and the industry, we have met these challenges with diligence as we prepare ourselves for the future. As the market landscape evolves, we have found ourselves embracing the digitalisation wave, not only in how we engage with customers but also in how we source for talent to enable the Bank to stay ahead of the curve.

To illustrate how digitalisation has impacted us, the Bank now executes more than 100 million transactions every quarter and over 80% of these transactions are done via the internet or mobile device. Over the past three years, total volume and activity for mobile and Internet banking transactions has grown at an average of 52% y-o-y.

The Bank has positioned itself to benefit from the rise of FinTechs by collaborating and creating a platform for FinTechs to showcase their real world applications. This has allowed us to tap into both their creativity and entrepreneurial zeal and

Chairman's Statement

in some instances, we have offered our own platform as a means for talented individuals to come on board and make a difference for the Bank, as we continue to create sustainable value for our stakeholders.

For the year under review, the Bank's key operating metrics remained resilient, underpinned by improving asset quality, a strong capital position and a robust funding and liquidity base. Our results were essentially a combination of market-leading loans growth which was offset by the surge in interest expense due to the elevated funding cost pressure – a result that was aided by a disciplined approach to operating efficiencies and strong contributions from other income streams.

The Bank's total assets expanded by 2.2% to a record RM207.4 billion as at 30 June 2019 surpassing the RM202.9 billion mark as at 30 June 2018. The Bank's total gross loans and financing maintained its upward trajectory, increasing by 6.6% y-o-y to RM137.6 billion as compared to RM129.1 billion the previous year. The growth, despite cautious business sentiments and slowing credit growth, reflects the strength of our domestic retail, Small Medium Enterprise ("SME") and Commercial Banking businesses. Total customer deposits expanded 3.6% y-o-y to RM163.1 billion with growth predominantly coming from business deposits.

I am pleased to announce that our earnings per share ("EPS") for FY2019 was 130.2 sen, marking a 1.0% y-o-y increase, while our return on equity ("ROE") stood at 10.8%. The market has recognised the value the Bank continues to create for investors with our stock price consistently outpacing key indices over the years. Our share price closed at RM19.00 for FY2019 representing a 42.5% appreciation over five years and out performing both FBM KLCI index and FBM KLFin index by 53.6% and 45.3% respectively.

For FY2019, the Board has proposed a final dividend of 34.0 sen per share subject to the approval of shareholders during the forthcoming Annual General Meeting on 29 October 2019. This brings the total dividend for FY2019 to 50.0 sen per share, 2.0 sen per share higher than last year.

In another meaningful development, Moody's Investor Service upgraded the Bank's baseline credit assessment ("BCA") to a3 from baa1 on the back of the Bank's improved asset quality and strong capital. It also reflects the Bank's improved profitability, as well as affirms our strong funding and liquidity positions.

ISLAMIC BANKING

Malaysia maintains its position as a global leader in the Islamic Finance industry. In 2018, Islamic finance spearheaded the growth of the Malaysian banking sector where Islamic financing continued to expand at a much faster pace of 10.5% to RM668.7 billion while market share increased to 36.6% of the total financing in the Malaysian banking sector.

Total assets expanded by 2.2% y-o-y to a record

RM207.4 Billion

Total gross loans and financing increased by 6.6% y-o-y to

RM137.6 Billion

Total customer deposit expanded 3.6% y-o-y to

RM163.1 Billion

Islamic financing continued to expand at a much faster pace of 10.5% to RM668.7 billion while market share increased to 36.6%

Hong Leong Islamic Bank ("HLISB") is committed to creating sustainable growth of its business through innovative and inclusive financial solutions to address the evolving needs of our customers; and in doing so, will continue to elevate Malaysia's position as the leading Islamic Finance player in the region.

HLISB maintained its strong momentum in FY2019. HLISB's profit before tax and zakat rose by 16.5% y-o-y to RM440.0 million. Gross Islamic financing assets also grew by 13.8% y-o-y to RM26.1 billion, contributing 19% of HLB's total financing.

HLISB will continue to provide Islamic financial solutions to the Bank's customer base by executing its digital transformation to satisfy the demands for innovative financial products and to leverage on the emerging FinTech environment. The digital transformation also ensures the Shariah aspect is adhered bank-wide to further strengthen Shariah governance as the core pillar of the business.

In line with the Bank's sustainability goals, HLISB maintains its dedication in integrating the Value-Based Intermediation ("VBI") principles, which encourages positive and ethical practices, into our business strategies. During the financial year, HLISB has initiated various VBI initiatives that deliver positive and sustainable values to the community, economy and environment.

PROGRESS ACROSS THE REGION

The Bank's regional business has continued to perform well this financial year, bolstering our overall results and maintaining our commitment to deliver long-term growth and sustainable value to our shareholders. Our results continue to be encouraging with total profit contribution from international operations accounting for 18.8% of the Bank's pre-tax profit in FY2019, up from 18.2% in the previous financial year.

Our Singapore operation, through HL Bank Singapore ("HLBS"), remains a key franchise for the Bank. For FY2019, total income was RM136.4 million while gross loans remained stable at RM5.2 billion, contributing 4% of the Bank's total gross loans. The branch has transformed over recent years from a pure Private Banking proposition to a more comprehensive financial services provider which includes a wider spectrum of customers in niche sectors such as Health Banking, Personal Financial Services focusing on Auto Financing, and Business and Corporate Banking focusing on Medium Size Enterprises. HLBS will continue to develop its business to match different customer preferences including the use of digital technology while leveraging on the Head Office's ("HO") digital transformation roadmap. In the Private Wealth Management unit, we made investments in a new core system as well as expanding the number of relationship managers and investment consultants we have in the business. We expect these investments to show positive results in the coming year.

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

18.8%

Hong Leong Bank Vietnam Ltd ("HLBVN") has recorded significant performance improvements in FY2019. Through its core Personal Financial Services and Business and Corporate Banking businesses, with efforts to grow its middle-income and affluent segments and emphasis on SMEs, the franchise has seen encouraging

Chairman's Statement

Hong Leong Bank Vietnam Ltd

Total income growing by **41.4% y-o-y**

Hong Leong Bank (Cambodia) PLC

Net profit > **RM22.9 million**

Bank of Chengdu

Profit contribution grew by **7.4% y-o-y** to **RM554.4 million**

results in the past year. In FY2019, HLBVN's loans and deposits grew strongly by 52.3% y-o-y and 69.8% y-o-y respectively, resulting in total income growing by 41.4% y-o-y. Moving forward, HLBVN continues its journey in transforming itself as a retail digital bank, with resources invested to enhance customer acquisition through better customer engagement and improved customer experience, starting with the recently released mobile banking app. HLBVN has various digital initiatives and partnerships in the pipeline ready to be launched in the second half of this calendar year.

Meanwhile, our Cambodian operations continue to achieve new milestones with its sixth consecutive year of excellent performance. Net profit for Hong Leong Bank (Cambodia) PLC ("HLBCAM") grew by 30.4% y-o-y to RM22.9 million in FY2019 while total assets grew by 23.3% y-o-y to RM2.0 billion. Our franchise has shifted from a traditional branch structure to a digital financial services provider, rolling out our mobile banking platform to complement our competitive products and services. HLBCAM's focus moving forward will be to partner with local and international FinTechs to offer alternative payment solutions and best in market digital customer experience for new to bank retail customers. For our corporate, commercial and SME customers, we will also be rolling out a state of the art online platform to further enhance our ability to grow payments, foreign exchange ("Forex") and trade services to complement our strong lending and deposit ambitions.

Our associate in China, Bank of Chengdu ("BOCD"), a city commercial bank in Sichuan Province listed on the Shanghai Stock Exchange, continues to maintain above average growth and makes a meaningful contribution to the Bank. Profit contribution from BOCD grew by 7.4% y-o-y to RM554.4 million in FY2019 which represents 17.4% of the Bank's pre-tax profit.

CREATING SUSTAINABLE VALUE

As the Bank continues to chart its value creation path, we have to ensure that we elevate this journey to one that is more inclusive, thoughtful and empowering. We are here for the long term and this cannot be achieved without serving and supporting the communities around us. The sustainability of the Bank is inextricably linked to the success of the people we engage with, and thus we must strive to ensure we always do our best to uplift those around us.

HLB understands that working alone will not guarantee prosperity and instead it must take on the role of actively collaborating with all stakeholders that can impact the Bank. This ecosystem of stakeholders includes customers, employees, partners and regulators. It is important

Chairman's Statement

that the Bank continues to reach out, to better understand the needs and aspirations of the various communities we do business with and in which we operate.

While we strengthen the ecosystem through ongoing strategic engagements, the Bank has been actively laying the infrastructure to realise the full potential of these collaborations via our Digital at the Core initiatives that aims to simplify banking for all. The agenda sounds simple, but it will require determination, thought-provoking discussions and inspiring solutions to reach a point where the Bank can be satisfied that the solutions touch wider segments of society and create positive outcomes for all stakeholders.

In our regional locations in emerging economies such as Cambodia and Vietnam, HLB has witnessed first-hand the power of digitalisation that has empowered an entire generation to leapfrog straight into cashless transactions without ever having experienced traditional banking. This was made possible through sustained collaborations with various stakeholders in the ecosystem which also included cutting-edge innovations created together with FinTech and Start-up companies. We seek to empower even more communities through the intelligent use of digital technology.

We are enabling financial inclusion and making banking easier for a greater proportion of the population which will drive participation in the formal economy – the key to enabling the long-term sustainability of the Bank. We continue to strive and look forward to create sustainable value for our stakeholders through the introduction of even more innovative banking solutions.

LOOKING AHEAD

Against a moderating growth environment, we expect major central banks to either ease or leave their monetary policy unchanged for the rest of 2019 in a bid to mitigate softer economic growth outlook. In both the US and Eurozone, manufacturing sector growth is expected to moderate further but resilient labour markets are likely to support consumer demand. The ongoing trade uncertainties are expected to persist should the dispute between the world's two largest economies remain unresolved.

We expect Malaysia to continue growing moderately this year, blessed by its diverse economic structure, sound macroeconomic fundamentals and policy flexibility. These features suggest the country is well-positioned to weather unexpected shocks. The world economy is expected to regain some ground in 2020, driven by improving prospects in emerging economies as the major economies are expected to face further moderation, potentially struggling to recover from the slowdown experienced in 2019. Hence with this in mind, we will stay vigilant and remain cautious in our execution of prudent and responsible growth.

The Bank will remain steadfast in its aim to produce sustainable growth and shareholder value through the continuous improvement of our business underpinned by the Bank's strong digitalisation push. We are aware of the challenges and economic headwinds that lie ahead but we believe that through the digitalisation of the Bank, we will not only gain operational efficiencies, but with more engaged customers as well as employees, the Bank will be able to navigate the demanding environment ahead.

ACKNOWLEDGEMENTS

Before I end, I would like to take this opportunity to express my heartfelt gratitude to my fellow Board members for their support, guidance and wisdom. I would like to mention our appreciation to Ms Lim Lean See, who retired from the Board on 5 May 2019, and welcome Ms Chong Chye Neo, who joined the Board on 21 February 2019. Ms Chong brings with her a diverse experience, with a background in IT industry and participations in forums on wide issues ranging from women leadership, to digital disruptions and the Industry Revolution 4.0. We also welcome Ms Lau Souk Huan, who joined the Board on 6 September 2019. Ms Lau brings with her over three decades of banking and accounting experience. She is presently a Project Director at the Malaysian Accounting Standards Board and was previously a Chief Financial Officer of an international financial institution's Malaysia operation.

To our customers, business partners and shareholders – thank you for your loyalty, confidence in us and support over the years. Our people deserve special acknowledgment for their dedication and as such I would like to express my appreciation to all our employees who are the true assets of the Bank. I would also like to thank Bank Negara Malaysia, the Ministry of Finance, government agencies and other regulatory authorities for their invaluable assistance and guidance. Lastly, I would like to convey my gratitude to our senior management team for their leadership and commitment in steering the Bank through the challenging environment, whilst remaining steadfast in executing the Bank's strategic priorities.

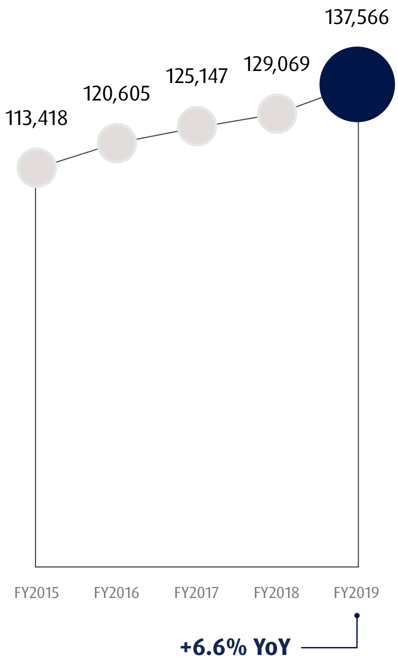
QUEK LENG CHAN
Chairman

11 September 2019

Five Year Group
Financial Highlights

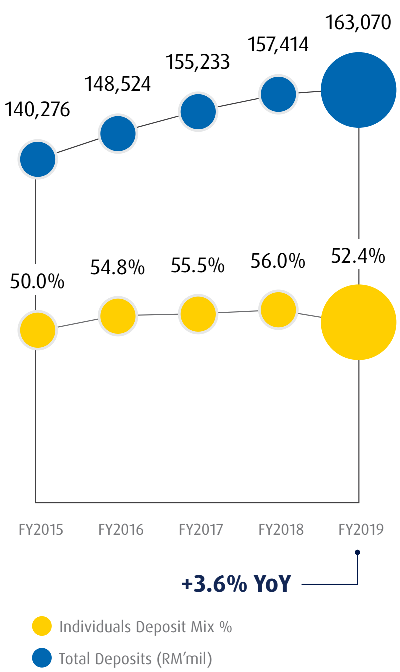
Gross Loans, Advances and Financing
Growth momentum outpaced industry, led by mortgages and SME

(RM'Million)



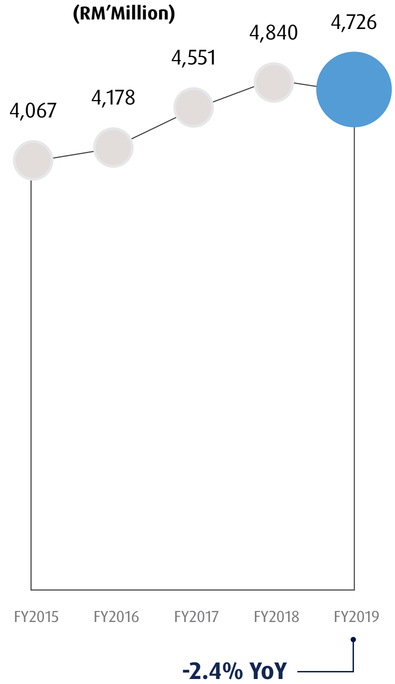
Deposits from Customers
Healthy growth supported by expansion in business deposit; individual deposit mix amongst highest in the industry

(RM'Million)



Total Income
Stable top-line supported by healthy loan growth, but impacted by elevated funding cost

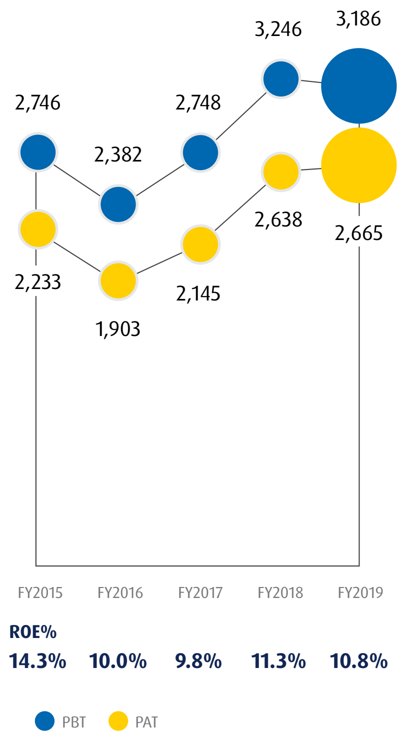
(RM'Million)



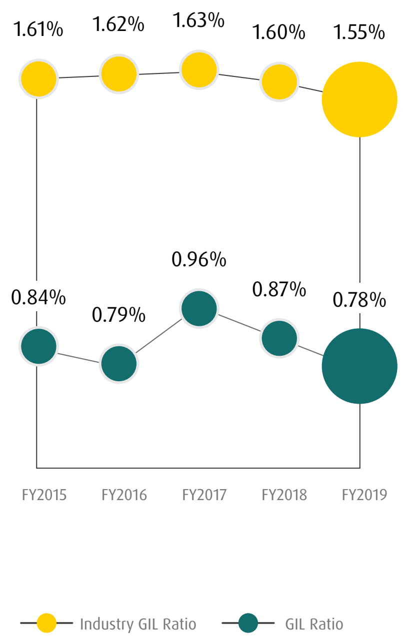
The Group	**FY2015 RM'Million**	**FY2016 RM'Million**	**FY2017 RM'Million**	**FY2018 RM'Million**	**FY2019 RM'Million**
Total Assets	184,020	189,828	195,553	202,891	**207,369**
Gross Loans	113,418	120,605	125,147	129,069	**137,566**
Customer Deposits	140,276	148,524	155,233	157,414	**163,070**
Shareholders' Fund	16,790	21,117	22,685	23,892	**25,474**
Profit Before Tax	2,746	2,382	2,748	3,246	**3,186**
Profit After Tax	2,233	1,903	2,145	2,638	**2,665**
Earnings per share (sen)	126	100	105	129	**130**
Net dividend per share (sen)	41.0	41.0	45.0	48.0	**50.0**
Dividend payout ratio (%)	32.4	44.1	42.9	37.2	**38.4**

Five Year Group Financial Highlights

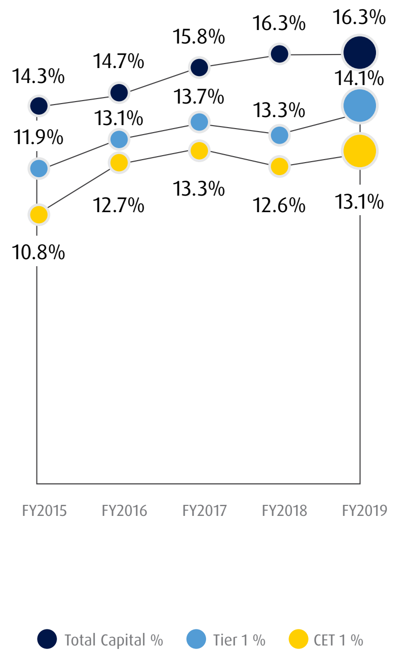
Profitability
Resilient set of results
(RM'Million)



Asset Quality
GIL ratio enhanced to an all-time low of 0.78%



Capital Ratios
Robust capital positions



The Bank	**FY2015 RM'Million**	**FY2016 RM'Million**	**FY2017 RM'Million**	**FY2018 RM'Million**	**FY2019 RM'Million**
Total Assets	160,681	162,238	164,817	169,111	**169,461**
Gross Loans	96,691	101,054	103,516	105,079	**109,943**
Customer Deposits	122,337	126,241	129,859	129,583	**131,397**
Shareholders' Fund	13,428	17,431	18,442	19,263	**20,125**
Profit Before Tax	2,279	2,025	2,347	2,518	**2,386**
Profit After Tax	1,776	1,605	1,744	1,972	**1,927**

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

Dear Shareholders, Customers and Business Partners,

The Bank turned in a commendable performance in FY2019, achieving strong loan growth supported by improved asset quality and enhanced contributions from our regional businesses and associates, which contribute almost a fifth of the Bank's profits. Recording a record profit for the year, against a difficult operating environment, the Bank managed to produce a resilient set of results on the back of solid financial ratios and prudent management.

The year in review also saw continued momentum in our digitisation push with over 80% of all retail transactions now done via the Internet or mobile device. Our determination in this area has yielded not only cost benefits but also superior customer and employee experience. We are beginning to see strong customer acquisition and cross-sell through the digital channels, which augurs well for future growth.

The digital push has seen customers benefitting from more convenient ways to deal with us, allowing customers to bank how and when they want to, thereby building customer loyalty and goodwill. This melding of digital into our DNA is beginning to see us do things differently and hence opening up new business opportunities whilst enabling cost optimisations. To ensure that the digital DNA is a fundamental trait of the organisation, a number of initiatives were rolled out during the year that transform the way we work. Employees can learn, engage and connect with each other, in whole new ways, enhancing our ability to retain and attract new talents.

A deeper dive into the Bank's results illustrates that our steady performance is attributed to our prudent policies, a strong capital position, stable funding

Group Managing Director/ Chief Executive Officer's Review

profile and concerted efforts to grow the customer franchise. Our regional operations continue to be a key contributor with profit contributions from our associate company in China increasing steadily over the years, and strong performances from Cambodia and Vietnam last financial year. Our strategic costs management initiatives continue to free up resources that can in turn be reinvested in our ongoing digital transformation and business growth initiatives.

The global economy remained in an expansionary mode through the early part of FY2019 supported by moderate growth in both advanced economies and emerging markets ("EM"). The US economy continued its current decade-long expansion underpinned by a solid labour market while growth in the Eurozone moderated, partly due to the slowdown in Germany's car sector amidst a period of adjustment to a new vehicle emission rule that took effect late-2018.

The issue of rising protectionism, however, remained a key concern given the US and China continued trade dispute since March last year. The uncertainties surrounding trade have weighed on the global economy, particularly in manufacturing sectors across China and other economies. This has disrupted the international supply chain and trade sector, and hampered business and consumer confidence. Notably, inflation has remained benign in key economies given the absence of demand-pull pressure with the rise in wages insufficient to drive up prices.

Against this rather challenging backdrop, many key central banks began to shift their monetary policy stance in an effort to support their respective economies. Most recently, the US Federal Reserve has adopted a dovish bias and is widely expected to further cut interest rates this year after holding back from further normalising rates since early 2019. The European Central Bank has revised its forward guidance and is now open for rate cuts and restarting its bond-buying programmes. The Bank of England had refrained from hiking rates due to Brexit and global uncertainties.

I am proud of the Bank's performance and the significant achievements during the year. It is my honour to present to you the Annual Report and Financial Statements of Hong Leong Bank Berhad for the financial year ended 30 June 2019.

In Malaysia, Bank Negara Malaysia cut the OPR by 25bps to 3.00% in May 2019 citing downside risks to growth and tighter financial conditions. However, the recent revival of large infrastructure projects by the Government presents potential upside for the entire local economy and its supply chain. With support from moderate growth in exports and strong domestic demand, we expect Malaysia's growth prospects to remain resilient at current levels, in this uncertain global and regional climate.

OPERATING PERFORMANCE

Total income for the Bank for FY2019 stood at RM4,726 million falling slightly from the previous year while net profit after tax increased to RM2,665 million, a rise of 1.0% from the previous year. This achievement was driven by an expansion in our loan book, continued outstanding asset quality and complemented with consistently strong contributions from our associates.

Contributions from net interest income fell to RM3,392 million on the back of still elevated funding cost pressure during the year and the OPR cut in May 2019. Consequently, net interest margin ("NIM") for FY2019 fell to 1.96% from 2.10% the previous year. A significant impact to interest income.

Net profit after tax increased to

RM2,665

Million

1.0% FROM FY2018

Non-interest income stood at RM1,334 million and the Bank saw an improvement in our non-interest income ratio which rose to 28.2% from 27.8%. This was attributed to higher foreign exchange gains and gains on the divestment of joint venture but was muted by weaker performance in treasury market activities.

International operations continue to be a key contributor to the Bank recording 18.8% of the Bank's pre-tax profit in FY2019, versus 18.2% the previous year. Regional contributions were led by BOCD which were higher by 7.4% y-o-y at RM554 million. Profits from BOCD made up 17.4% of the Bank's pre-tax profit.

Operating expenses inched up 1.5% to RM2,092 million while our digitisation efforts and strategic cost management initiatives continue to provide operational benefits and cost savings which we used to reinvest in the businesses. Our cost-to-income ratio ("CIR") for FY2019 stood at 44.3%.

Group Managing Director/ Chief Executive Officer's Review

Consequently, operating profit for FY2019 was RM2,634 million compared to RM2,779 million in the same period last year.

In FY2019, gross loans and financing grew 6.6% y-o-y to RM137.6 billion despite cautious business and consumer sentiments and a slowing credit growth environment. The increase was predominantly driven by contributions from domestic retail, Small and Medium Enterprises ("SME") and Commercial Banking segments.

Overall, domestic loans growth has outperformed the industry in FY2019, with the retail segment growing by 6.7% y-o-y, making up 71% of the Bank's total loans. It was pleasing to see solid growth in domestic loans to business enterprises, expanding by 10.5% y-o-y to RM40.7 billion, followed closely by strong growth in residential mortgages, which expanded 9.9% y-o-y to RM67.4 billion. This was further supported by transport vehicle loans which grew by 3.5% to RM17.5 billion.

SME remains a key market segment for the Bank and loans to SME were higher by 5.0% y-o-y at RM21.5 billion, comprising 15.6% of the Bank's loan base. Within this portfolio, the Bank's community banking initiative continues to show good traction, recording growth of 40.1% y-o-y to RM5.2 billion.

The Bank maintained its strong position in terms of funding and liquidity which remained healthy and prudent with a loan-to-deposit ratio ("LDR") of 84.4%. Liquidity coverage ratio ("LCR") meanwhile came in at 134%, well in excess of regulatory requirement.

The Bank continued to enjoy a stable funding base backed by a strong individual deposit base, with a mix of 52.4%, amongst the highest in the industry.

Customer deposits for FY2019 increased by 3.6% y-o-y to RM163.1 billion, predominantly supported by strong business deposits growth of 6.8% y-o-y to RM67.0 billion whilst CASA ratio was steady at 25.6%.

The Bank has always been focused on maintaining strong asset quality, with FY2019 no exception, resulting in a gross impaired loan ("GIL") ratio of 0.78% (down from 0.87% in the prior year), while the loan impairment coverage ("LIC") ratio improved to 118% from 89% after the implementation of Malaysian Financial Reporting Standards 9 ("MFRS9"). If the regulatory reserves set aside as at 30 June 2019 are included, the Bank's coverage ratio stood at a comfortable 197%.

The Bank's capital position remains robust with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.1%, 14.1% and 16.3% respectively.

HUMAN RESOURCES

Our people and their daily efforts are key to enabling the Bank to realise its vision to become a highly digital and innovative ASEAN financial services enterprise. The people that we seek to attract, develop and retain reflects our aim to build a richer diversity in thinking and ideas to meet future business needs, which will only increase in complexity. As the world around us is increasingly digital, our efforts to digitalise HR processes, improve the end-to-end employee experience and build a Fit-For-Future workforce is a key strategic priority and is now well underway as we continued to execute initiatives in our digital roadmap.

Over the past 12 months, we have undertaken a concerted effort to streamline processes, expand recruitment channels and invest in our talent to equip them with professional competencies fit for the jobs' demand in today's environment. You will find details of these initiatives and more on our people agenda in this annual report. We expect all our employees to display and consistently demonstrate the highest standards of ethics and integrity in all that we do, every day.

The four key pillars of strategic workforce planning, strong employee-employer proposition, commitment to develop employee's potential and focus to digitise the employee experience, will continue to guide us as we make HLB a great place to work and a preferred employer of choice for potential candidates.

Four Key Pillars

Strategic Workforce Planning

Strong Employee-Employer Proposition

Commitment to Develop Employee's Potential

Focus to Digitise the Employee Experience

Group Managing Director/ Chief Executive Officer's Review

RECOGNITION OF OUR TRANSFORMATIVE EFFORTS

In recognition of the Bank's continued quest towards digitisation, increased customer centricity, innovative HR approaches, as well as, our support of FinTechs and social enterprises, we have been recognised by the industry via various awards and accolades.

Our ethos of being Digital at the Core, is firmly centred around customer experiences and the growing demand and expectation for digital based services, products and solutions.

Delivering excellent customer experience that is seamless, easy and intuitive to use, through the adoption and adaptation of new technologies, has been a key focus of innovation at the Bank. We ensure that innovation extends beyond customer facing digital and mobile banking platforms, but also integrate customer-serving technology capabilities across our extensive branch network, where our branch staff are equipped with tablets to deliver an efficient and seamless experience. The use of big data analytics, will springboard the customer service to a whole new level, once we fine tune and integrate customer data insights into these digital platforms.

This deliberate focused push towards digital innovation has earned us the recognition of the "Best Digital Bank, Malaysia" at the Best Banks Awards 2018 by Asiamoney; for our innovative approach to reimagining different customer journeys, we received the "Omni-Experience Innovator" award for Malaysia at the IDC Digital Transformation Awards 2019.

Recognitions

1. **"Best Digital Bank, Malaysia"** at the Best Banks Awards 2018 by Asiamoney
2. **"Omni-Experience Innovator"** award for Malaysia at the IDC Digital Transformation Awards 2019
3. **"Best Domestic Bank 2018" by Asiamoney** and the **"Best Innovation in Retail Banking"** award at The International Banker 2018 Asia and Australasia Awards
4. **"Best SME Bank in Malaysia"** by The Asian Banker at the International Excellence in Retail Financial Services Awards 2019
5. **Gold Award in "Excellence in HR Innovation"** and **"Excellence in Innovative use of HR Technology"** at the HR Excellence Awards 2018
6. **"Most Innovative Recruitment Strategy (in-House)"** at the Digital Awards 2019 by the Malaysian Digital Association
7. **"Company of the Year (Supporting Social Enterprises)"** at the CSR Malaysia Awards 2019

Group Managing Director/ Chief Executive Officer's Review

To take customer innovation to a whole new level, we launched our Customer Experience and Usability Lab ("CX Lab") within our head office in Damansara City. The CX Lab provides a collaborative space in which cross-functional business, operations and technology teams, together with external parties such as FinTechs, startups, technology partners and customers, can come together to co-create next generation banking products and services by reimaging customer journeys and products and services.

It's pleasing to see the embracing of innovation and digital transformation by employees across the Bank, amply demonstrated through the internal and external hackathons that we ran during the year, to crowdsource new ideas and, just as importantly, discover digital talents. This commitment to innovation and digital transformation was recognised by the industry as the Bank was awarded "Best Domestic Bank 2018" by Asiamoney and the "Best Innovation in Retail Banking" award at The International Banker 2018 Asia and Australasia Awards for the second year running.

HLB's digital transformation has also extended to the approach taken with our SME customers. Through our personalised services, we continue to establish a robust working relationship with business owners through which we can better serve them by staying attuned to their business needs and requirements. We deliver these services through innovative and comprehensive solutions which leverage on the efficiency of technology, coupled with the personal touch of our dedicated relationship managers. It is testament to this comprehensive approach that we were recognised as the "Best SME Bank in Malaysia" by The Asian Banker at the International Excellence in Retail Financial Services Awards 2019.

Looking internally to ensure a sustainable working environment for our people, we continue to invest in HR through the use of technology; a prime example being the use of HLB's Artificial Intelligence chatbot, HALI. HALI acts as a Virtual Recruitment Assistant and is a key 'employee' in the talent recruitment process during career fairs throughout the year. We endeavour to future-proofing our people by ensuring they are conversant with new working methods such as agile teams, design thinking practices, co-creation programs, coding, data science programs etc., so that they can, in turn, can benefit from the changes that we are experiencing in the workplace.

The use of SmartUp, a mobile first e-Learning platform that delivers 'bite-sized' learning content, transforms the way in which employees learn aside from a classroom environment, to a system accessible through their mobile devices at any time. HLB has

Group Managing Director/ Chief Executive Officer's Review

been recognised for our work within this space and was awarded the Gold Award in "Excellence in HR Innovation" and "Excellence in Innovative use of HR Technology" at the HR Excellence Awards 2018, as well as for "Most Innovative Recruitment Strategy (in-House)" at the Digital Awards 2019 by the Malaysian Digital Association.

We also recognise that it is important for us to make a difference in the communities we operate in, as such, we strive to continuously give back to society in meaningful ways. This past year saw the launch of the 'HLB Jumpstart' platform which is vital in our aim to support social enterprises which champion meaningful social causes. For this and other CSR activities throughout the year, we were recognised as "Company of the Year (Supporting Social Enterprises)" at the CSR Malaysia Awards 2019.

STRATEGIC PRIORITIES

Our strategic priorities remain squarely focused on enabling customers' ability to deal with us through their channel of choice, making every interaction easy and intuitive. And in the process transforming our operations towards a highly digital financial services institution, delivering on our ethos of being "Digital at the Core". The execution of the strategic priorities will continue to unlock value for our stakeholders and make the Bank attractive to new customers to do business with, and people to work in. To successfully operate in an environment that is constantly changing, we need to continuously innovate so that we deliver products and services that meet customers changing financial needs, and internally build a high performing culture, where the status quo is consistently challenged. During the year, having listened to customers, business partners and staff, we have honed in their feedback and realigned our brand promise to "Built Around You", sharpening our commitment to deliver an experience that is unparalleled, making every journey personalised, proactively anticipating customers' needs, and making lives better every day.

The key strategic priorities that we continue to focused on are: helping clients thrive with seamless, relevant, personalised and fair banking; empowering our people with the best opportunities to realise their full potential; continued digital transformation through technological and operational initiatives that are customer-centric and Digital at the Core; and bringing our expertise, know-how and partnerships to build a vibrant ecosystem that not only enhances business opportunities but also adds to the overall well-being of the community. These pillars of success will open up new growth opportunities and the ability to revamp our cost structure, enabling us to achieve sustainable growth, make meaningful contributions to the communities within which we operate and deliver superior returns to our shareholders. I will elaborate further on our strategic agenda below.

Key Strategic Priorities

01
HELPING CLIENTS THRIVE WITH SEAMLESS, RELEVANT, PERSONALISED AND FAIR BANKING

02
EMPOWERING OUR PEOPLE WITH THE BEST OPPORTUNITIES TO REALISE THEIR FULL POTENTIAL

03
CONTINUED DIGITAL & CULTURAL TRANSFORMATION THROUGH TECHNOLOGICAL AND OPERATIONAL DEVELOPMENTS THAT ARE DIGITAL AT THE CORE

04
BUILDING A VIBRANT AND SUSTAINABLE ECOSYSTEM

Group Managing Director/ Chief Executive Officer's Review

01 HELPING CLIENTS THRIVE WITH SEAMLESS, RELEVANT, PERSONALISED AND FAIR BANKING

CUSTOMERS

We are strengthening our efforts to making customers the central part of each banking journey, product and service that we develop and offer. By challenging assumptions, mindsets and with the relentless drive to view our world through customers' eyes, the aim is to simplify customer interactions and give them a reliable, convenient, and secured banking experience. Although we have achieved much, there is a lot more that can be done to simplify processes, improve policies and evolve the culture so that innovations can flourish, customer experiences can be best-in-class and operational complexities are eliminated, as far as possible.

In FY2019, there was a step-up in the efforts to listen to existing and potential new clients. Through their feedback and passion to help us improve, they helped us to re-imagine banking through different customer journeys and experiences, enabling the launch of impactful improvements. With the application of artificial intelligence ("AI"), machine learning and automated technologies via our 'Predictive Customer Intent CRM System', customers are now served in a more predictive and intuitive manner. Driving interactions through contextual marketing, leading to better cross sell rates and much improved customer loyalty matrixes. These improvements were possible via the leveraging of big data analytics, real time feedback tools, design thinking and agile techniques, that make the organisation more responsive to customers' needs.

To further engage customers, promotional offerings are gamified during festive seasons, rewarding customers for using or purchasing the Bank's products. In addition, we continue to collaborate across industries by establishing partnerships that enable us to deliver on the strategic priorities covered here. This is clearly illustrated, for example, through our recent co-brand credit card tie-ups with Golden Screen Cinemas, AirAsia and Emirates Airline to reach out and cater to different customer segments, with specific products that allows users to make the most from their budgets.

From mass to affluent segments to corporates and SMEs, we have continued to innovate and find ways to better acquire and serve clients, leveraging on existing and new digital capabilities for a wider reach. The emphasis to build financial services around our customers motivated us to collaborate with WeChat payment solutions, gaining traction with HLB debit cards linked to WeChat wallet growing from 1,800 in September 2018 to over 38,000 in just 9 months, providing businesses and merchants' access to a large customer pool exceeding 20 million active WeChat users in Malaysia. For our priority banking customers, we launched the inaugural 'HLB Wealth Advisory Forum' which saw us partnering with international fund managers such as BlackRock Investment Management, Schroders Investment Management and Hong Leong Asset Management to give our customers valuable insight and information about Malaysian and global investments opportunities, in what was a volatile year, especially in the second half of our financial year.

The Bank continues to aspire to be the Commercial & SME bank of choice in Malaysia via providing a comprehensive suite of offerings. Our digital business solutions for SMEs bundle digital accounting, digital payroll, HR capabilities, digital advertising, WeChat Official Account setup and support, and digital tax advisory. Our reputation and commitment in the SME segment has been further affirmed by our partnership with Credit Guarantee Corporation ("CGC") to support the SME sector, including micro-SMEs, resulting in HLB being awarded the "Top Financial Institution Partner (Overall Category)" by CGC and the "Best SME Bank in Malaysia" by The Asian Banker.

In the SME space, having invested the previous year on building a 200-strong SME Banking unit, with about 170 Community Banking Managers located in branches throughout the country, the results were very strong, with loan growth around 40% y-o-y and customer growth of around 30,000. We are now serving over 135,000 Malaysian SMEs, validating our strategic approach and commitment to this very important segment of the economy.

In the commercial banking customer segment we saw strong loan growth at 12.3% y-o-y, whilst we lost some ground in the large corporates segment, where the loan book contracted by 9.9%, due to our cautious stance.

Group Managing Director/ Chief Executive Officer's Review

THE FUTURE IS BEING DIGITAL AT THE CORE

With our daily lives increasingly anchored around digital interactions, it's not surprising to see that over 80% of retail banking transactions in the financial year just passed have shifted away from traditional branch-based transactions. The role of the physical branches is shifting towards providing more value-added advisory solutions to existing and new clients. Leveraging on technology and our digital capabilities, we are empowering branch staff to deliver products and services assisted by digital tools, hence, delivering digital solutions with a human touch. Simultaneously, the traditional look and feel of branches will be evolving, reducing the need for back-office space, allowing us, overtime, to re-configure and reduce the non-value add footprint, providing cost savings which can be ploughed back into digital and human capital investments.

Furthermore, transactions that involve filling out many forms are now paperless with the use of InBranch tablets, reducing the use of paper and our carbon footprint. With about 20% of the branches equipped with such technology last year, these branches are now performing 70% of branch transactions on tablets. This has led to our customers benefiting from halving the time taken to open a bank account from 10 minutes to 5 minutes, and a reduction of time taken for a current or savings account withdrawal from 70 seconds to 20 seconds, improving customer experience by creating a 'zero' queue environment. Plans are underway to expand the tablet digital solutions to over 60% of the network this financial year.

The Bank's digitalisation shift is underpinned by our strategy of giving customers multiple channels to access the Bank's services at their convenience. To take customer centricity one step further, we created a CX Lab in our Damansara City head office, where we have started to intensify the co-development of products and services based on customer's collaboration, insights and needs. Encouraging signs are there that this approach has the added advantages of improving efficiency, reducing costs and de-risking product development.

Building further on our digital transformation, we have implemented the Bank's next generation contact centre through our partnership with Amazon Connect for our call centre needs in our business in Singapore. The cloud-based contact centre solution is powered by Amazon Web Services and promises to improve our customer support services while enabling the redeployment of resources to other high-value ventures. Plans are well underway to expand our digital offerings and capabilities to our overseas markets, significantly expanding the way we reach to and service clients, whether they are consumers, SMEs or commercial clients.

To ensure that the online banking experience, whether assisted by our people (via the InBranch tablets mentioned above) or through our internet and mobile banking offerings, we have invested, and will continue to invest in systems that will safeguard privacy and security. We remain steadfast in our efforts to work with regulators to ensure that we comply with regulations, whilst experimenting with new technologies and capabilities in a manner that does not compromise privacy, security and know your customer policies. We have, throughout the course of the year, undertaken a series of compliance initiatives to strengthen the bank wide compliance culture and digital know-how, including appropriate training to the board of directors, so that we can broaden our skills in technology developments and cyber risk. We recognise the important role that we play in society as a provider of financing and financial services, making it paramount for us to help ensure the health of the financial system.

Group Managing Director/ Chief Executive Officer's Review

02 EMPOWERING OUR PEOPLE WITH THE BEST OPPORTUNITIES TO REALISE THEIR FULL POTENTIAL

To deliver on the first strategic objective and serve our customers with distinction, it has to be supported with a strong focus on the people agenda. Vital to this endeavour of empowering our employees, is to continue to invest in our people and culture; equipping them with the right tools, competencies and mindset, where we are energised by the constantly evolving environment and the opportunities for lifelong learning, which lead to lifelong employability.

To have a more effective workforce, we stepped up efforts to seek employees' engagement, as a highly engaged workforce will lead to better customers' outcomes. These initiatives include developing in-house training capabilities, part of the content delivered via the mobile e-Learning 'SmartUp' platform, that enables access to bite-sized learning content which doubles up as an employee engagement tool. Face to face training is now delivered via our brand-new training centre in our Damansara City Head Office. In-house trainers and training was significantly augmented by the use of outside specialists in areas of compliance, digital, data science, machine learning, AI, cyber security and much more.

To build a high performance focused culture, we also needed to step up our efforts to encourage a culture of speaking up about ideas and concerns so that we can either take advantage of opportunities or tackle issues early and prevent them from reoccurring. With this in mind, we introduced WorkChat and WorkPlace Apps to enable our workforce to share and collaborate, voice out and connect across the Bank. This allows all 9,000 strong staff, to have an equal voice and equal access to all levels of management. To further strengthen the employee value proposition, for the past 2 years we have carried out employee engagement surveys, entitled 'My Thoughts, Our Future', and used its insights to shape some of our human capital strategic priorities.

The various employee engagement programmes led to the industry recognition at the HR Excellence Awards 2018 in the categories of "Excellence in HR Innovation" and "Excellence in Use of HR Tech". Further, we saw a significant drop in staff turnover by 18% y-o-y, trending towards industry best in-class.

During the course of the year, other key initiatives were to enable our people to shift from transaction-led roles to more advisory focused ones by developing a customer-centric culture. This culture of empowering employees to tailor the right solutions for their clients, has necessitated reorganising some of the workforce away from support and branch operations roles to higher value-add roles, creating opportunities for career advancement as well as better value for the wider organisation and our stakeholders.

To uncover human capital ready for the digital world, we created a novel approach to identifying potential talents that could join the Bank, by offering members of the community the opportunity to demonstrate their creative solutions, for banking and business-related challenges, through the second edition of our 24-hour long 'Can You Hack It' hackathon held in April 2019. Developer, coders, user interface and user experience specialists were presented with problem statements and invited to develop innovative solutions

Group Managing Director/ Chief Executive Officer's Review

to revolutionise the way customers carry out their banking/financial services. The programme resulted in more than 90 of the 150 participants earning potential offers of employment at HLB.

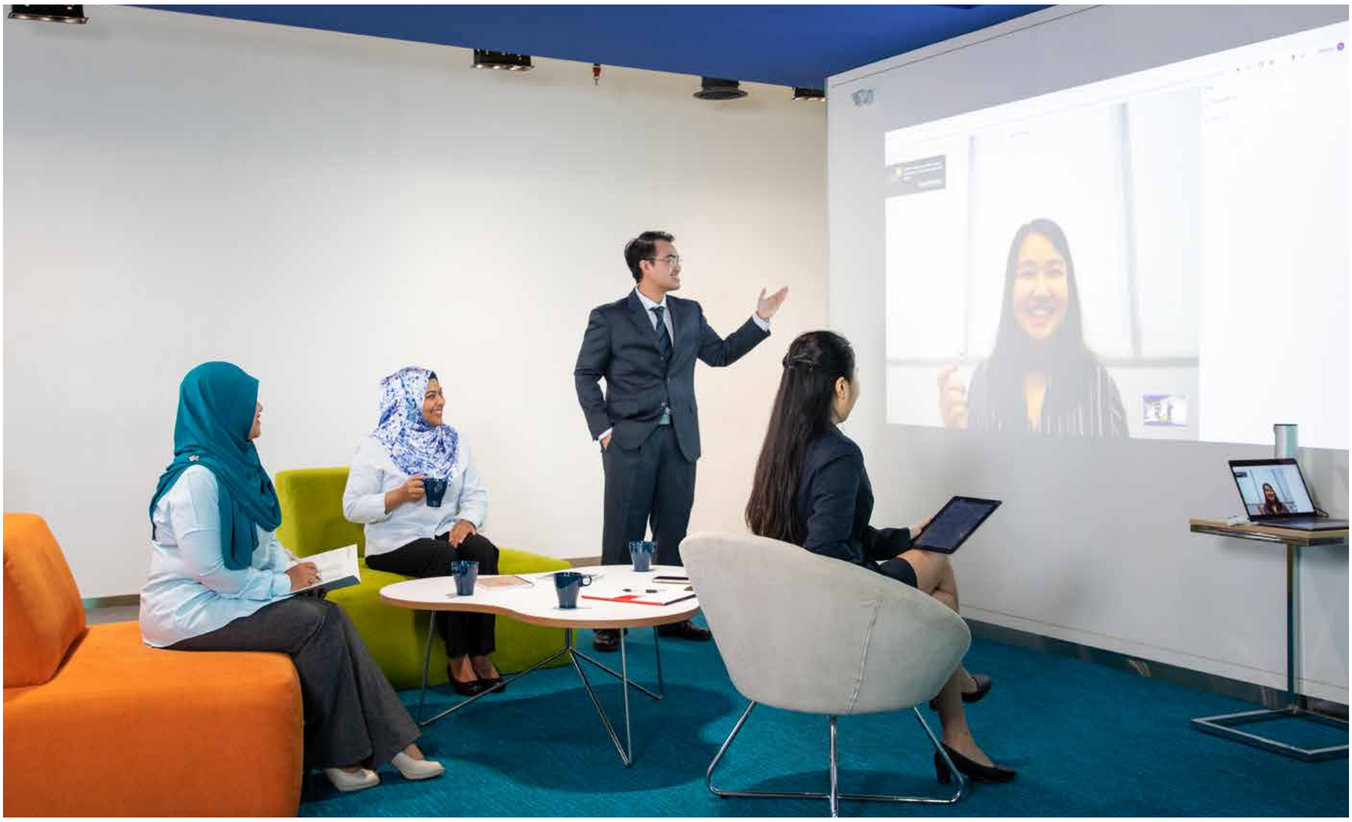
As a testament to our hiring initiatives, HLB won the "Most Innovative Recruitment Strategy – In House" award by HR Asia Recruitment in 2019. Meanwhile, our in-house 'Hackathon' edition was an encouraging success, generating over 200 ideas from employees bank wide.

Aside from existing talents, we are preparing the pipeline for the future leaders by recruiting graduates through our Management Associate and Graduate Trainee programmes, providing them with specific projects and training programmes that build their knowledge and know-how on existing and evolving banking technologies and practices. These graduates are mentored by members of the senior management team and get a broad view of various facets of banking before going on to take a full-time role. It's our commitment to developing young people so that they are ready to embrace the digital and technological transformation that is happening in the financial service industry.

Transforming the culture and building digital capabilities is a multi-year endeavour, and even then, we might find that we will have to pivot along the way as the environment we live in evolves rapidly. Nevertheless, you can rest assured that we will continue to put in concerted effort to transform our culture, to ensure that we have an organisation with a nimble and resilient workforce, ready to take advantage of opportunities as they arise, and safeguard the Bank from risks that will inevitably arise.

Group Managing Director/ Chief Executive Officer's Review

03 CONTINUED DIGITAL & CULTURAL TRANSFORMATION THROUGH TECHNOLOGICAL AND OPERATIONAL DEVELOPMENTS THAT ARE DIGITAL AT THE CORE



Underpinning our strategic priorities, and at the core of our transformation, is our continuous drive to digitise the Bank in its entirety. We started this journey three and half years ago in our quest to drive pervasive changes throughout the organisation by simplifying processes, minimising barriers, eliminating silos and providing a convenient omni-channel experience through digital innovation that was able to serve customers 24x7.

With the Bank reaching the 1 millionth mobile customer milestone in April 2019, we now execute more than 100 million transactions every quarter of which about 80% of these transactions are done via internet or mobile devices. Over the past three years, there has been significant growth in total volume and activity with a 52% y-o-y average increase in mobile and Internet banking transactions.

This digital transformation, or digitalisation of the Bank, is driving value and benefiting all areas of the Bank – from customer experience, technology platforms that we use, to business drivers, bank wide culture and cost base. Evidence of this transformation, can be seen in the next to zero cost increase (0.3% increase) in our Malaysian operations in the financial year 2019. In practical terms, this meant moving expenses from legacy items and allocating them to digital initiatives, allowing us to provide more products

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and services online for existing and new customers, increasing convenience and for those visiting branches, significantly reducing branch waiting times. The strong adoption rates encourage us to accelerate migration of products and services to digital platforms. We have seen this transition in both our retail as well as corporate clients, accounting for over 80% of all retail transactions and 68% of all corporate transactions.

At our head office in Damansara City, we launched our CX Lab to facilitate customers, partners and cross-department collaborations, to experiment with and develop new product and service offerings, at shorter cycle time to market. Our 'HLB Launchpad' programme, now in its third year, is a platform to nurture and collaborate with FinTechs and startups aimed at reinventing the financial services industry. We work closely with past winners to bring capabilities into the Bank such as HR ChatBot which allowed us to streamline HR Helpdesk for employees (Hyperlab), client servicing (Dropee and Finology), to technological infrastructure (EyeQ). The experience of working with FinTechs and startups vividly demonstrates to HLB employees, among others, the importance of innovation, re-imagining financial services, agility, prototyping and rapid market testing to validate market needs and then deploying MVP (minimum viable products), whilst collecting further customers feedback to quickly enhance the product or service.

To further drive digital adaptation and cashless payments, we held our third annual 'Digital Day' campaign, starting from 7th July 2019. Over the two-week period, the Bank offered exclusive rewards, online promotional offers, special branch offers and benefits for individuals and commercial clients, to demonstrate the benefits of moving their banking online. We worked with over 35 partners from online and retail brands, offering exclusive benefits and rewards for banking online and cashless spending at participating outlets, with over 50,000 customers enjoying some benefit or reward during the campaign period.

As we see digital capabilities as a core competency of the Bank, we continued to invest in our in-house IT capabilities. In FY2019, our 'Centre of Excellence' has implemented various new systems and enhancements, providing cost savings and at the same time improving time to market. Other digitalisation initiatives include the use of AI in call centres, robotics and automation in processing support functions and migration of data to cloud services for security and efficiency. The initiatives to support our growth in a sustainable manner include reducing the use of proprietary hardware and migrating to open sources, reducing dependencies on external systems and enabling cost effective modular components, that will provide a flexible platform for us to build future capabilities on.

For our efforts, we were recognised by the industry with various awards and commendations including "Best Platform Development", "Best Use of Data" and "Best Use of Social Media" by Malaysian Digital Association, "Best Innovation for Retail Banking Malaysia" by International Banker and "Best Digital Bank, Malaysia" by Asiamoney. Our ongoing application of AI, machine learning and data insights to enhance customer relationships also earned the Bank "Best 'Omni-Experience Innovator' Award" at the IDC Digital Transformation Awards.

To sustain the ongoing digitalisation of the bank, we continue to invest in our infrastructure to ensure minimal downtime with enhanced cyber security, complemented with initiatives such as active monitoring, ethical hacking and leveraging on machine learning and AI to regularly detect weaknesses and obtain timely threat information, so that we can promptly respond to any identified issues. Our infrastructure and data are protected by comprehensive security controls to ensure cyber security resiliency with reliable system stability. We also continue to ask customers to play a role in safeguarding digital offerings by running educational campaigns to ensure all stakeholders are aware of cyber security risks and steps that we can all take to ensure a safe online experience.

Group Managing Director/ Chief Executive Officer's Review

04 BUILDING A VIBRANT AND SUSTAINABLE ECOSYSTEM

As we continue to deliver on our strategic priorities, we are aware that the Bank must execute its strategies sustainably to strengthen long-term sustainable value creation. For this to happen, we will focus on building an ecosystem that is not only conducive for business but also vibrant and supportive of the communities around us. This banking ecosystem, which has the overall aim of improving financial access for all, is imbued with our digitalisation push and will be expanded via a collaborative approach with our stakeholders.

With this ecosystem of customers, employees, FinTech companies, startups and social enterprises now in place, the Bank has sought out ways to sustainably and positively impact these communities while ensuring the long-term viability of the business. We also recognise the increasingly critical role that the ESGs (environmental, social and governance) principles play in a sustainable society, and as such, we try and incorporate them in our digital transformation strategy as well as policies and business practices.

For example, the focus to deliver simple, seamless and straightforward solutions for customers through our digital transformation has seen significant growth in digital and cashless transactions across our customer base. While this contributes towards reducing HLB's environmental impact, it also improves our know-your-customer capabilities, and hence the prevention and detection of AML/CFT issues. To take it one step further with our customers, the Bank's CX Lab plays an integral part in bringing together various parties where we can experiment and innovate by making the customers central to the solutioning process.

The Bank's digital initiatives are a key component of our sustainability journey and will allow us to realise the potential of our various collaborations, especially in the development of a vibrant FinTechs and startups scene. Our commitment to learning and partnering with entrepreneurs innovating in this space enables us to build stronger ties with the community, and through our hackathons, HLB continues to gain insight about the community's talent pool that can help deepen our digital know-how and expertise.

HLB has demonstrated its commitment to nurturing the FinTechs and startups ecosystem over the past three years with our involvement in the 'HLB LaunchPad' programme in collaboration with Cradle Fund and the Malaysian Business Angel Network. On top of this, we actively work with key industry stakeholders such as HLX, MDEC and MaGic, and partner with big tech companies (such as Tencent), as well as collaborating with University of Malaya to create the first Islamic Finance chatbot, as an example.

One crucial segment of the economy is the SME community, which account for over 98% of enterprises in Malaysia and is a major contributor to national growth, but still faces hurdles in accessing financial services. To realise our aspiration of building a best-in-class SME offering, we have partnered with SMEs associations and FinTechs to resolve HR, Administrative, Supply Chain and Logistics limitations that many SMEs face. Such efforts serve to assist in developing sustainable SME businesses, which in turn improves local communities.

Over the course of the year, we also took concrete steps into developing our social enterprises engagement efforts with the launch of our first CSR platform, 'HLB Jumpstart', with the aim to champion Malaysians creating positive social impact by solving social or environmental conditions. This platform gives back to our local communities by partnering with social enterprises to improve their business skills and knowledge required to operate in a sustainable manner, which in turn, creates a longer lasting and more significant impact to the causes they are advocating.

HLB Jumpstart's first participant, SURI, a social enterprise that empowers single underprivileged mothers through skill building (sewing) and employment. Through the programme, SURI was able to revamp the product line, use digital payments to reach a wide audience, start online sales and acquire significant more donated raw materials, ensuring a sustainable model that can empower more underprivileged mothers. SURI continues to thrive under the programme. Following the success of SURI, a second participant was brought into the HLB Jumpstart programme, Green Hero, a social enterprise whose mission is to reduce food wastage in the F&B industry by selling surplus food at discounted prices. In coming years, having seen the success of the pilot programmes, we intend to expand HLB Jumpstart to increase our social and environmental impact.

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Ensuring that this ecosystem remains sustainable will be a top priority not only for the Bank but increasingly also for businesses at large, as it drives inclusion and positive outcomes for societies. The heavy investments in our digital initiatives will continue as we see it both as the catalyst and driver of our sustainability journey, allowing for new collaborations, innovations and the enhancement of existing services to benefit the communities around us. We are inspired by entrepreneurial FinTechs, startups and social enterprises and will remain steadfast in our support of their endeavours. In short, HLB will be here to stay, to serve and to thrive together with the communities we operate in.

For more information on our sustainability practices, please refer to the Sustainability Statement in this annual report on pages 71 to 95. The statement summarises our Sustainability Report 2019 which details our strategies and achievements, guided by local and international standards such as the Bursa Malaysia Sustainability Reporting Guide and the United Nations Sustainable Development Goals. Our efforts saw us meet globally recognised standards, which led to the Bank's inclusion in the FTSE4Good Bursa Malaysia Index since June 2018.

FINAL REMARKS

While we move forward in this dynamic environment to fulfil our strategic goal to be a highly digital and innovative financial services institution, we recognise that our journey does not end once we have crossed the imaginary finish line. Our commitment is that we will continue the strong focus on serving our customers by listening to and engaging with them, to ensure that the transformation journey we are on remains firmly anchored on what matters to the people we are here to serve (customers). With our strategic priorities aligned to our brand promise, we will continue to digitise and innovate to provide best-in-class experiences and reimagining banking through insightful customer journeys. We, at Hong Leong Bank, are Digital at the Core and we are Built Around You.

OUTLOOK

Looking ahead, the global economy is expected to grow steadily in 2020 although at a more modest pace, as key economic indicators consistently point to a more moderate growth momentum.

The services industry is likely to be the bright spot as it continues to display resiliency. Demand in the sector is supported by solid labour markets as wages continue to increase steadily. That said, we are cautious of the downside risks surrounding the growth outlook; in particular, the rising trade protectionism manifesting in an extended US-China trade war, Brexit uncertainty and geopolitical tensions such as that of US-Iran and US-North Korea relations. Due to these uncertainties and the resulting action of major key economies indicating that easing of interest rates may occur, there is also the possibility that Malaysia and most of the region will follow suit, posing a downside risk to financial markets.

On the domestic front, Malaysia's economic growth is expected to track that of the moderating global economy and at the same time, hinges largely on resiliency in domestic consumption and external demand, and the impetus of investment and infrastructure activities. The extent of the revival of infrastructure projects is also yet to be fully realised, and hence there is potential for the domestic economy to gain from this area. Barring the outbreak of another global downturn, overall growth is expected to remain on a moderate path.

ACKNOWLEDGEMENTS

We have come this far due to the continued support of our many stakeholders. To our customers, thank you for your trust and confidence in us. To our shareholders, your strong support has enabled much of what we are doing and will continue to do. Lastly, I would like to express my gratitude to our Board of Directors who have been instrumental in guiding and advising us on this journey.

A special thank you to all employees of the Bank and my management team for their dedication, energy and commitment in all that they do for our customers every day. Your efforts ensures that the Bank progresses on our strategic priorities and continues to create sustainable value for all our stakeholders. Special mention to Ms Foong Pik Yee, who retired from the Bank after 6 fruitful years as Chief Financial Officer.

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

For further details on the Bank's performance in FY2019, please refer to the Management Discussion and Analysis ("MD&A") section.

DOMENIC FUDA
Group Managing Director/
Chief Executive Officer

11 September 2019

Management Discussion & Analysis
Financial Review

1. FINANCIAL HIGHLIGHTS

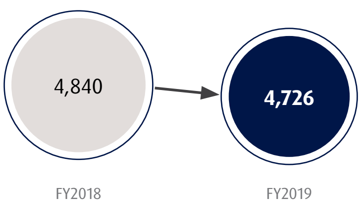
SUMMARY OF GROUP PERFORMANCE

	FY2018	FY2019	Growth %
Profitability & Efficiency (RM'million)			
Total Income	4,840	**4,726**	(2.4)
Operating Profit	2,779	**2,634**	(5.2)
Profit Before Tax	3,246	**3,186**	(1.9)
Profit After Tax	2,638	**2,665**	1.0
Earnings Per Share (sen)	129	**130**	1.0
Net Interest Margin	2.10%	**1.96%**	(0.14)
Cost-to-Income Ratio	42.6%	**44.3%**	1.7
Return on Assets	1.32%	**1.30%**	(0.02)
Return on Equity	11.3%	**10.8%**	(0.5)
Balance Sheet (RM'million)			
Total Assets	202,891	**207,369**	2.2
Gross Loans, Advances and Financing	129,069	**137,566**	6.6
Customer Deposits	157,414	**163,070**	3.6
Asset Quality			
Gross Impaired Loan Ratio	0.87%	**0.78%**	(0.09)
Loan Impairment Coverage Ratio	89%	**118%**	28
Loan Impairment Coverage Ratio (including Regulatory Reserve)	155%	**197%**	42
Liquidity and Capital Ratios			
Loan-to-Deposit Ratio	82.0%	**84.4%**	2.4
Common Equity Tier 1 Capital Ratio	12.6%	**13.1%**	0.5
Tier 1 Capital Ratio	13.3%	**14.1%**	0.8
Total Capital Ratio	16.3%	**16.3%**	0.1

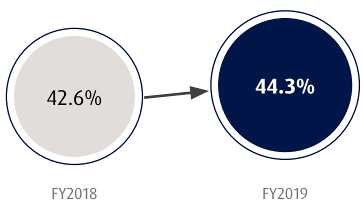
SELECTED KEY INDICATORS

Total Income
Stable top-line supported by healthy loan growth, but impacted by elevated funding cost

RM'mil

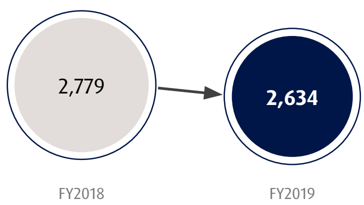


Cost-to-income Ratio
CIR moderated to 44.3%



Operating Profit
Resilient business performance amidst on-going economic challenges

RM'mil



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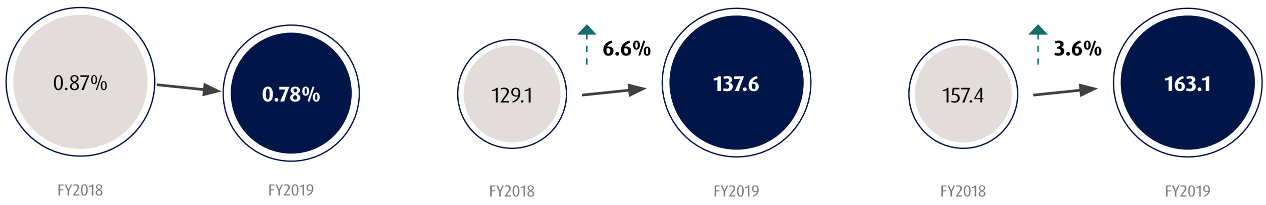
Gross Impaired Loan Ratio
Solid asset quality with improved GIL ratio amidst sound loan growth

Gross Loans
Strong loan growth momentum, led by key segments of mortgages and SME
RM'bil

Deposits
Deposit growth driven by healthy business deposit expansion.
RM'bil



SOLID OPERATING METRICS & PROFITABILITY

The Bank showed considerable improvements across key metrics compared to the previous year, as we gained market share and improved on our asset quality even as the challenging operating environment continued to weigh on the entire banking industry.

Total income for FY2019 recorded RM4,726 million, driven mainly by a convincing growth in loans, with significant growth improvements across the entire portfolio, including in mortgage, SME and international segments.

Operating expenses for the year reported a slight increase of 1.5% y-o-y to RM2,092 million while cost-to-income ratio ("CIR") stood at 44.3%, primarily due to moderating top-line movements. The slight increase can also be attributed to the transitory effect of moving employees to higher value add positions as a result of our digitisation efforts and will help us realise cost efficiencies in the long run.

Operating profit for FY2019 was RM2,634 million compared to RM2,779 million in the same period last year. Correspondingly, the Bank delivered consistent results with profit before tax ("PBT") and profit after tax ("PAT") at RM3,186 million and RM2,665 million respectively.

Earnings per share ("EPS") was higher at 130 sen compared to 129 sen the last financial year. Despite an unfavourable operating environment, the Bank achieved a healthy return on equity ("ROE") of 10.8% in FY2019.

IMPROVING BALANCE SHEET

Despite a relatively slower credit growth environment, our gross loans, advances and financing growth gained pace and recorded strong expansion of 6.6% y-o-y to RM137.6 billion, predominantly led by growth in our key segments of mortgages and SME. Meanwhile, our customer deposits for FY2019 grew 3.6% y-o-y to RM163.1 billion, indicative of our strong retail franchise which saw the Bank with a still solid individual deposit mix of 52.4%. As a result, the Bank's loan-to-deposit ratio ("LDR") was still prudent at 84.4%, considerably below industry average and remains supportive of future business growth.

RECORD LOW ASSET QUALITY METRICS

The Bank continued to uphold outstanding asset quality and managed to further improve on the metrics with a record low Gross Impaired Loan ("GIL") ratio of 0.78% despite strong loan growth traction. Loan impairment coverage ("LIC") ratio remains prudent at 118%, one of the strongest in the industry and inclusive of the regulatory reserve set aside as at 30 June 2019, the Bank's LIC ratio remains comfortable at 197%.

STRONG CAPITAL POSITION

The Bank's continues to maintain a strong capital position with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.1%, 14.1% and 16.3% respectively.

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2. KEY PERFORMANCE INDICATORS (KPIs)

FY2019 KPI ACHIEVEMENT

	Target FY2019		Achieved FY2019
Gross Loan Growth	In line with industry	✓	6.6% y-o-y
LD Ratio	~85% (revised)	✓	84.4%
Net Interest Margin	>2%	~	1.96%
Non-Interest Income Ratio	>27%	✓	28.2%
Cost-to-Income Ratio	<43%	✗	44.3%
Gross Impaired Loan Ratio	<1%	✓	0.78%
Return on Equity	~11%	✓	10.8%

Most targets were met during the year, partially dragged by net interest margin ("NIM") compression and the OPR cut which impacted revenue growth. Nonetheless, we are encouraged that these business growth achievements will set a solid foundation for a strong performance in the new financial year.

- Loans growth momentum continued at 6.6% y-o-y, predominantly driven by growth in key segments of mortgages, domestic business segments and overseas operations.
- Liquidity remains healthy with an LDR of 84.4%. In view of our stable funding position and strong liquidity buffer, we have revised upward our LDR target to 85% during the year.
- NIM for FY2019 remained slightly short of our guidance at 1.96%, mainly due to persistent funding cost pressure from deposit competition during the year, coupled with the OPR cut in May 2019.
- Non-interest income ("NII") ratio stood at 28.2% for the year, above our guidance of 27%, as a result of relatively better performance in foreign exchange activities and gains from divestment of joint venture.
- CIR ratio missed the guidance but remains manageable at 44.3%. We continue to exert prudent cost management during this challenging year whilst continuing focus on growth.
- Asset quality indicators remains solid with GIL <1% per our guidance.
- As a result of this commendable performance, ROE was still maintained within our guidance at 10.8% for FY2019.

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FY2020 TARGETS

	FY2019 Actual	Target FY2020
Gross Loan Growth	6.6%	5%-6%
Net Interest Margin	1.96%	~2%
Non-Interest Income Ratio	28.2%	>28%
Cost-to-Income Ratio	44.3%	43%-43.5%
Gross Impaired Loan Ratio	0.78%	<1%
Return on Equity	10.8%	10.5%-11%

- For FY2020, the Bank has set targets for loan growth to be around 5% to 6% with a ROE within the range of 10.5% to 11%. We are guiding NIM to be approximately 2.0% and NII ratio above 28%.
- Management intends to continue to prudently manage expenses going forward as well as uphold our strong asset quality. With that, CIR is expected to be maintained between a range of 43% to 43.5% whilst GIL ratio is to be kept below 1%.

3. INCOME STATEMENT ANALYSIS

INCOME STATEMENT SUMMARY

RM'mil	FY2018	FY2019	Growth %
Net interest income	3,495	**3,392**	-2.9
Non-interest income	1,344	**1,334**	-0.8
Total Income	4,840	**4,726**	-2.4
Operating expenses	(2,060)	**(2,092)**	1.5
Operating profit before allowances	2,779	**2,634**	-5.2
Allowances for loan and other impairments	(70)	**(11)**	83.7
Share of profits from associates and JV	537	**563**	4.9
Profit before tax	3,246	**3,186**	-1.9
Profit after tax	2,638	**2,665**	1.0

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Total income for FY2019 was lower y-o-y at RM4,726 million, mainly due to higher funding cost, which was partially mitigated by the healthy expansion of the loan book.

Operating expenses for the year was up RM32 million or inched upwards by 1.5% y-o-y. However, CIR rose slightly to 44.3% due to unfavorable income movement. Consequently, operating profit before allowances came in lower at RM2,634 million.

During the year, as asset quality indicators improved, there were lower impairment allowances of RM11 million in FY2019, versus a charge of RM70 million last year.

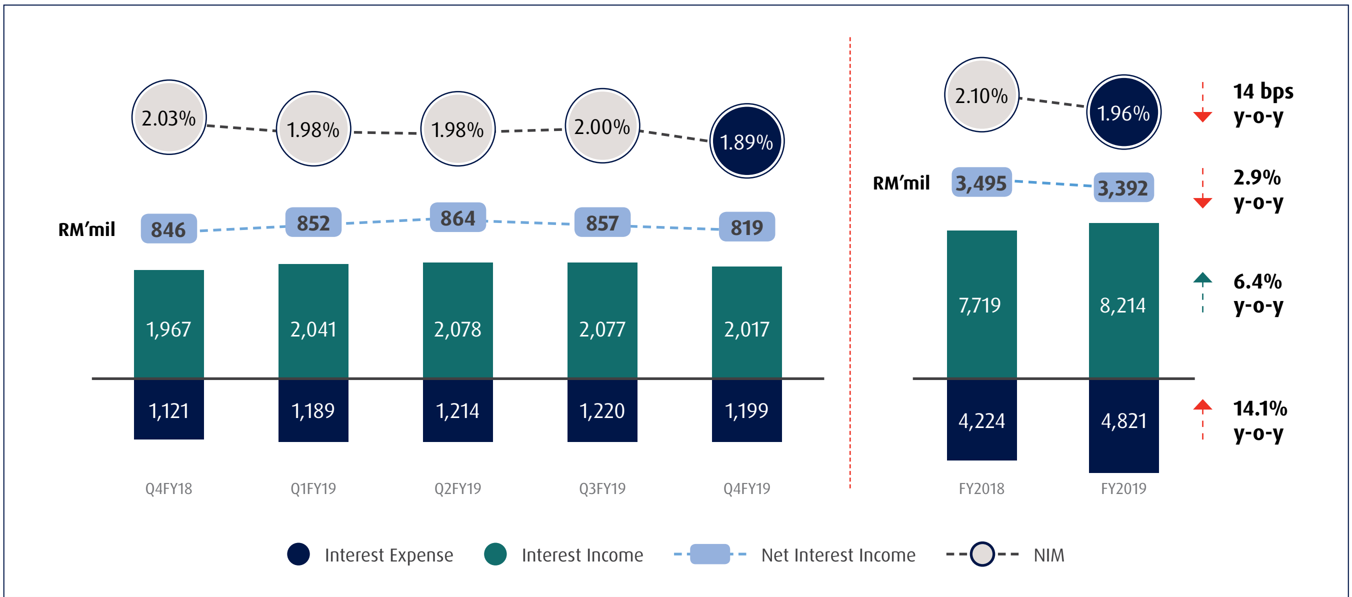
Profit contributions from our associates, mainly from BOCD, remained strong at RM563 million, a 4.9% y-o-y increase compared to the same period last year.

With this, we managed to deliver consistent results with PBT and PAT at RM3,186 million and RM2,665 million respectively. It should be noted that PAT of RM2,665 million sets another record high for the Bank following FY2018's PAT of RM2,638 million.

A) NET INTEREST INCOME

Net interest income for FY2019 was lower at RM3,392 million when compared against FY2018, mainly due to elevated funding cost from deposit competition and the OPR cut in May 2019. This resulted in a lower NIM y-o-y at 1.96%.

Yields for FY2019 saw an uptick of 12bps y-o-y, arising from strict loan pricing discipline, repricing of loan assets in January 2019, coupled with increased yield in treasury operations. However, interest expense surged at a faster pace of 14.1% y-o-y for FY2019 caused by higher cost of funds, which is up by 24bps y-o-y for the year. This can be attributed to elevated deposit costs from both retail and corporates, coupled with higher priced foreign currency deposits during the period due to the US Federal Fund rate increase late last year.



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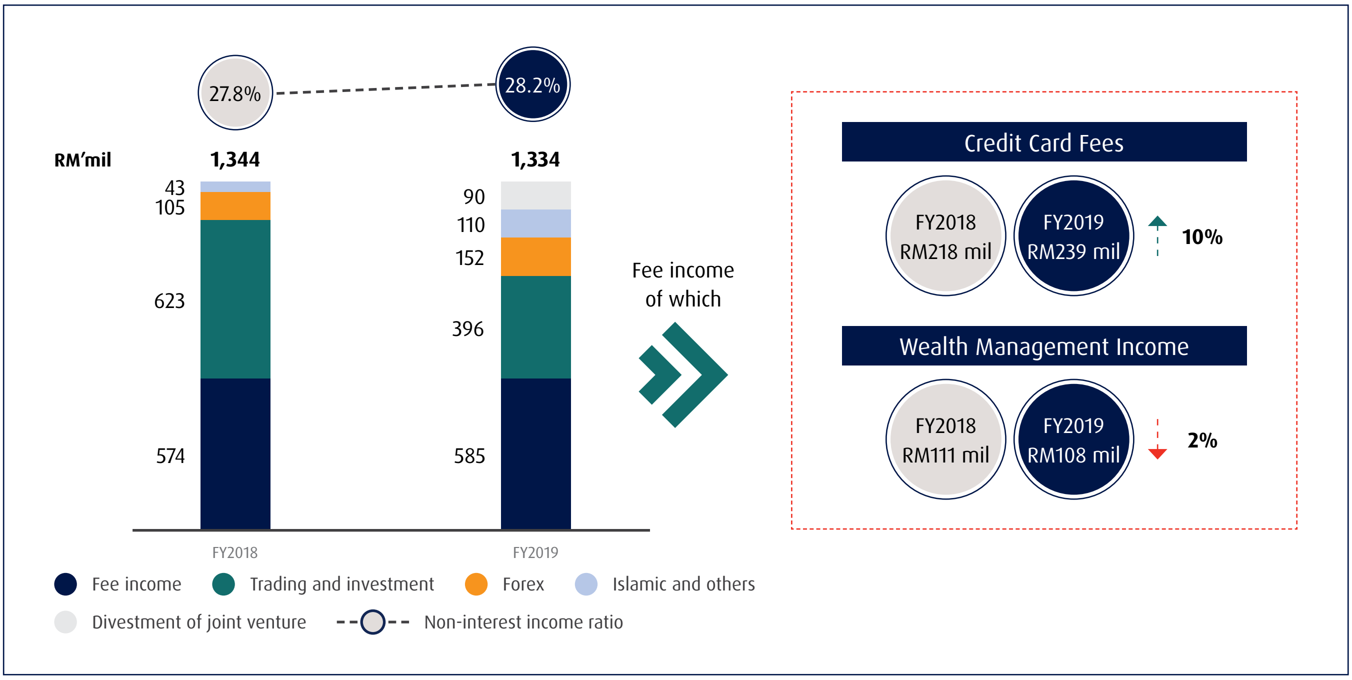
B) NON-INTEREST INCOME

Non-interest income for FY2019 moderated slightly to RM1,334 million, with the NII ratio higher at 28.2%, as a result of higher foreign exchange gains and gains from the divestment of a joint venture but was mitigated by a weaker performance in treasury market activities.

Foreign exchange ("FX") income was 45.5% y-o-y higher at RM152 million, mainly attributable to a gain in FX trading versus a loss in the same period last year, coupled with lower swap costs incurred due to the reduction in FX swap activities.

Trading and investment income for the year fell 36.5% y-o-y to RM396 million, as a result of a net loss in derivatives instruments mainly from unrealised mark to market ('MTM') loss in interest rate swap ('IRS') trading.

Fee income gained 2.0% y-o-y to RM585 million in FY2019, driven by a 10% y-o-y growth in credit card fees, offset by lower wealth management income due to soft market sentiment towards investment particularly during the beginning of the year.



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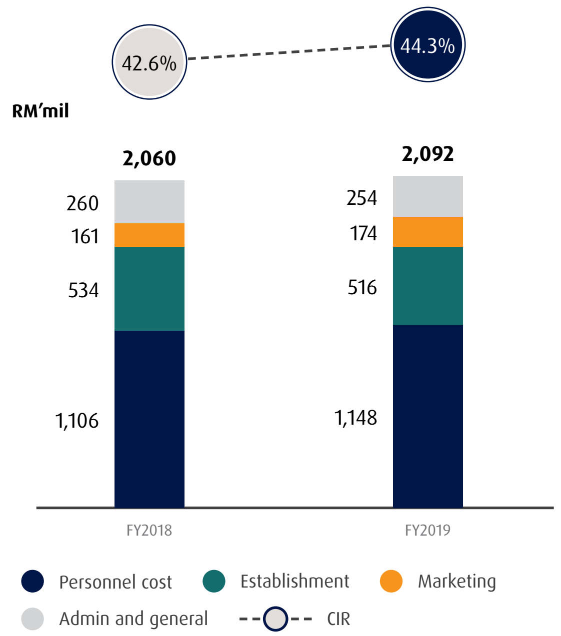
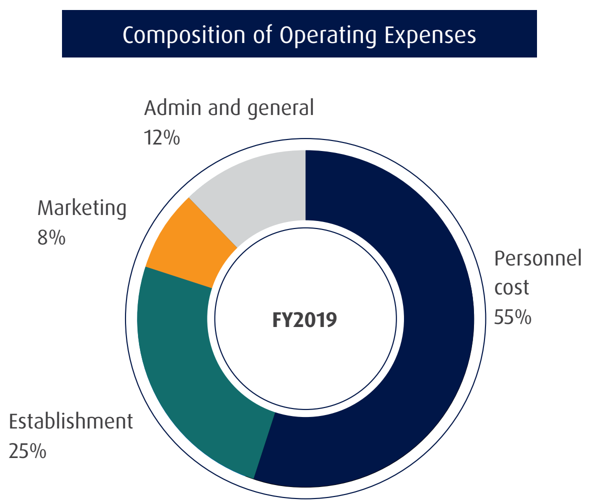
C) OPERATING EXPENSES

Operating expenses was well contained in FY2019, inching upwards marginally by 1.5% y-o-y to RM2,092 million. Nonetheless, CIR for the year was undermined by soft income movement and consequently rose to 44.3%.

Personnel cost, which accounted for 55% of total operating expenses, increased by 3.7% y-o-y to RM1,148 million due to higher salaries and personnel related costs, as our strategic cost management initiatives and digitisation efforts has enabled a shift in staff mix from operational roles to higher value-added roles such as digital innovation, customer experience and compliance.

Marketing expenses recorded increased sales commission due to higher sales volume from mortgage and personal loans, whereas rental savings from the relocation of headquarter and branches contributed to a 3.2% y-o-y lower establishment costs.





4. GROSS LOANS, ADVANCES AND FINANCING

STRONG LOAN GROWTH ACROSS KEY PORTFOLIOS

	FY2018		FY2019		
Gross Loans, Advances and Financing by Domicile	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**
Total Domestic Operations	122,543	95%	**130,456**	**95%**	6.5%
International Operations	6,526	5%	**7,111**	**5%**	9.0%
of which					
Singapore	5,098	4%	**5,224**	**4%**	2.5%
Hong Kong	-	-	**-**	**-**	-
Vietnam	405	0.3%	**617**	**0.4%**	52.3%
Cambodia	1,023	0.8%	**1,270**	**0.9%**	24.1%
Total Bank	**129,069**	**100%**	**137,566**	**100%**	**6.6%**

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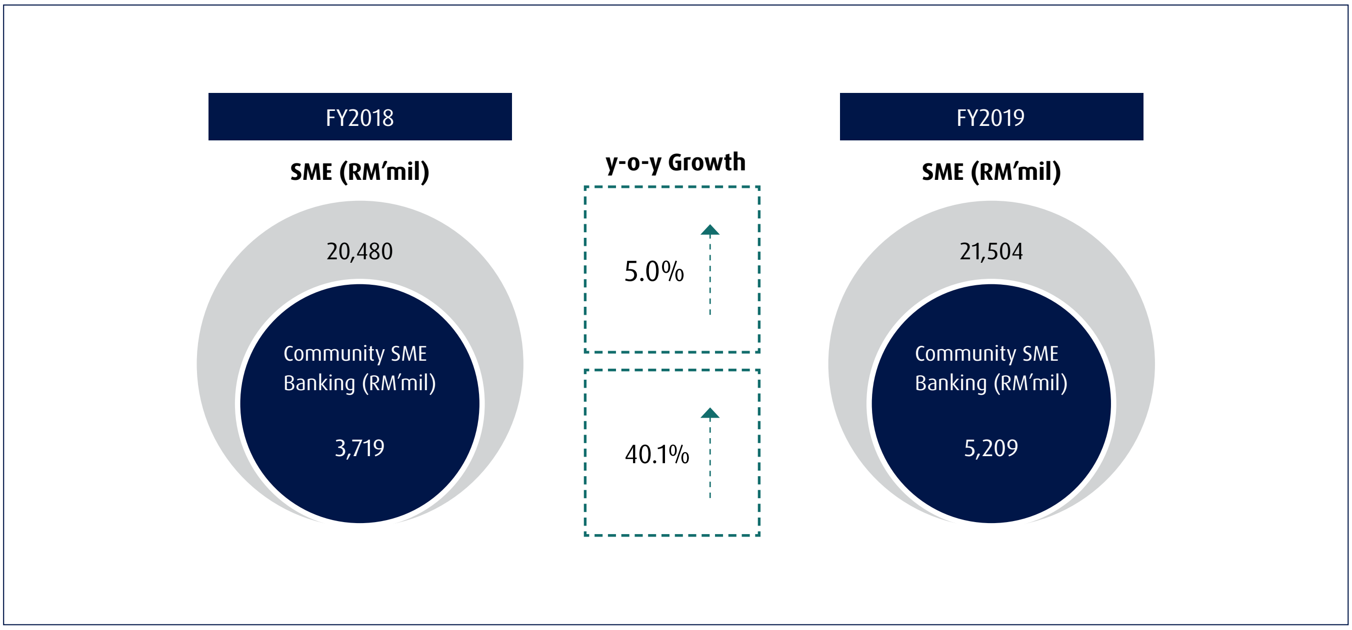
Our gross loans, advances and financing grew promisingly for the year, expanding 6.6% y-o-y to RM137.6 billion, with strong growth in the SME segment delivered by our community banking initiative. This was further supported by a robust mortgage pipeline while our international operations continue to chart remarkable growth.

Breaking down the portfolio by country; domestic loans, which represents 95% of the Bank's total loan book, grew faster than the industry average at 6.5% y-o-y to RM130.5 billion as at 30 June 2019. Overseas loans grew 9.0% y-o-y to RM7.1 billion, led by Vietnam and Cambodia which experienced a 52.3% y-o-y and 24.1% y-o-y growth to RM617 million and RM1.3 billion, respectively.

Gross Loans, Advances and Financing by Key Segments	FY2018		FY2019		Growth %	Domestic Market Share %
	RM'million	% Contribution	RM'million	% Contribution		
Residential Properties	61,370	48%	**67,438**	**49%**	9.9%	11%
Transport Vehicles	16,894	13%	**17,489**	**13%**	3.5%	9%
SME	20,480	16%	**21,504**	**16%**	5.0%	7%

Our core residential mortgages segment continued to grow at a healthy pace of 9.9% y-o-y to RM67.4 billion, buoyed by a robust home loan pipeline and steady approvals. For FY2019, we approved over RM7.0 billion of domestic loans to properties valued at RM500,000 or below, an increase of 26.2% y-o-y, helping more Malaysians to own their own homes.

Transport vehicle loans represented 13% of total loans and grew at 3.5% y-o-y to RM17.5 billion as a result of the three-month tax holiday after the removal of the Goods and Services Tax.



Reported SME loans was 5.0% higher y-o-y at RM21.5 billion; however, after retrospectively adjusting for re-tagging impact in accordance to BNM's guidelines on SME definition, our SME book would have grown at an encouraging pace of 8.1% y-o-y. In addition, within this SME portfolio, the Bank's community banking initiative continues to impress, recording growth of 40.1% y-o-y. During the financial year, we approved loans to SMEs to the value of RM3.7 billion, an increase of over 100% from the previous year.

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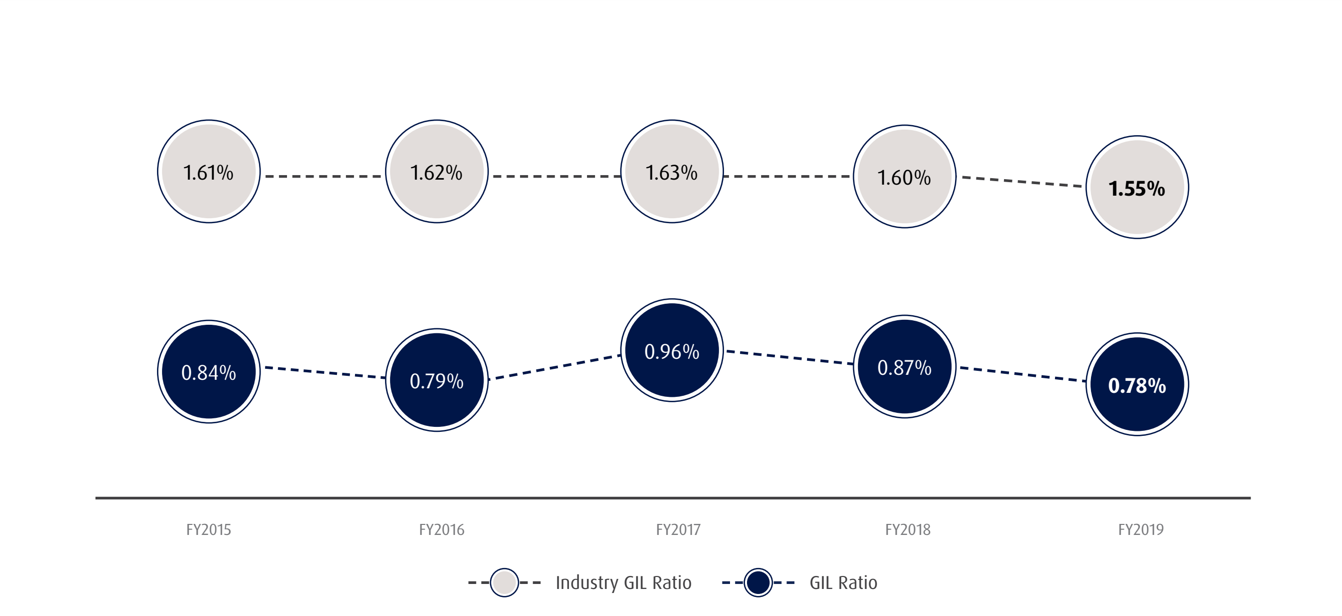
5. ASSET QUALITY

ASSET QUALITY IMPROVING, OUTPERFORMS INDUSTRY AVERAGE

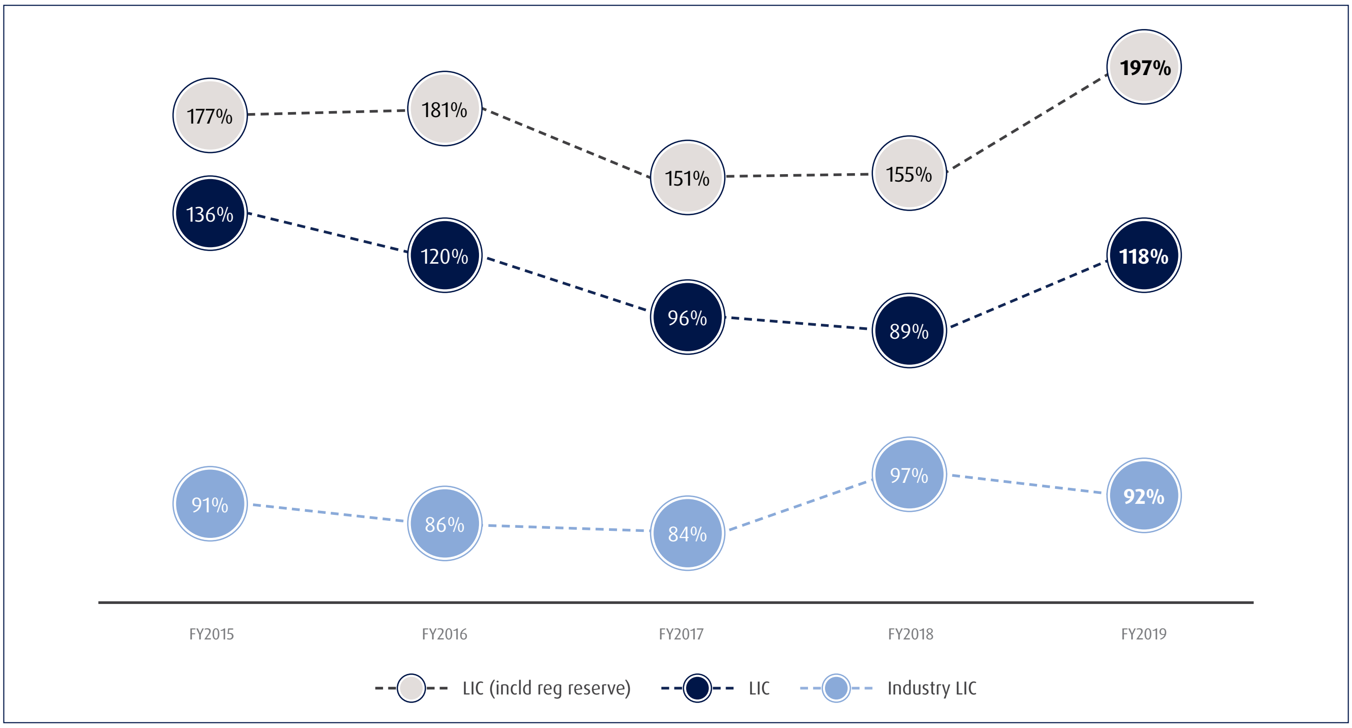


The Bank's asset quality remained stronger than ever with no particular stress in any portfolio, attributable to our prudent credit underwriting policies. The Bank's GIL ratio reached an all-time low of 0.78%, comfortably outperforming the industry average of 1.55%. The Bank strives to keep its GIL ratio below 1% in the new financial year and will continue to be prudent and cautious even as we drive business growth.

Asset Quality by Key Segments	FY2018	FY2019	Industry Average as at June 19
Residential Properties	0.58%	**0.56%**	1.12%
Transport Vehicles	0.79%	**0.70%**	0.83%
SME	1.72%	**1.54%**	2.67%

Asset quality of our key segments of residential properties, transport vehicles and SME continued to show improving GIL ratios of 0.56%, 0.70% and 1.54% respectively. The GIL ratios remain below industry averages.

Loan Impairment Coverage (LIC)



LIC ratio at 118% continues to be one of the strongest in the industry post adoption of MFRS9. Inclusive of regulatory reserves set aside as at 30 June 2019, LIC for the Bank remains comfortable at 197%.

6. CUSTOMER DEPOSITS

IMPROVING DEPOSIT GROWTH DRIVEN BY STRONG RETAIL FRANCHISE

	FY2018		FY2019		
Customer Deposits by Domicile	**RM'million**	**% Contribution**	**RM'million**	**% Contribution**	**Growth %**
Total Domestic Operations	148,152	94%	**152,895**	**94%**	3.2%
International Operations	9,262	6%	**10,175**	**6%**	9.9%
of which					
Singapore	7,555	5%	**7,921**	**5%**	4.8%
Hong Kong	250	0.2%	**255**	**0.2%**	1.9%
Vietnam	461	0.3%	**783**	**0.5%**	69.8%
Cambodia	995	0.6%	**1,217**	**0.7%**	22.2%
Total Bank	**157,414**	**100%**	**163,070**	**100%**	**3.6%**

Deposits from customers grew 3.6% y-o-y to RM163.1 billion, driven mainly by core customer deposits growth both domestically and regionally. The improved deposit growth was buoyed by our strong retail offerings and an increase in CASA (Current and Savings Account) and fixed deposits.

Domestic customer deposits represented 94% of the Bank's total deposits and grew 3.2% y-o-y to RM152.9 billion. International operation customer deposits expanded by a greater 9.9% y-o-y growth compared to 5.7% y-o-y the previous year. This growth was driven mainly by Singapore at 4.8% y-o-y and Cambodia at 22.2% y-o-y.

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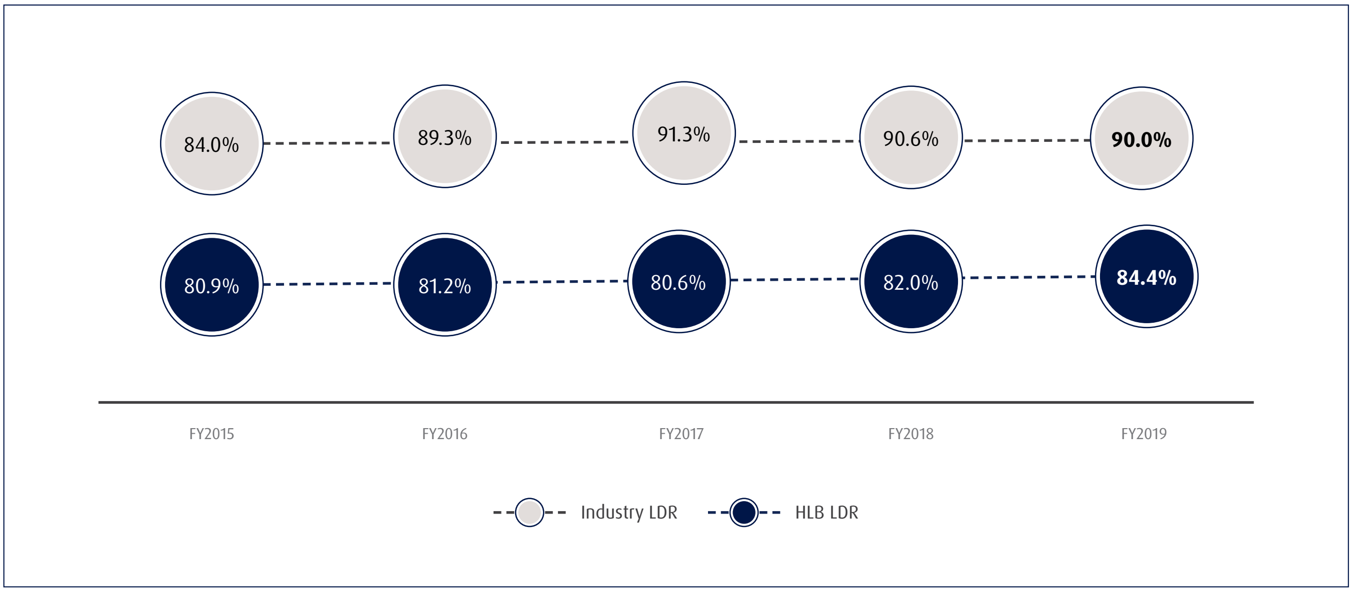
Customer Deposits by Key Product and Customer Type	FY2018 RM'million	FY2018 % Contribution	FY2019 RM'million	FY2019 % Contribution	Growth %	Domestic Market
By key product type of deposits						
Demand and Savings Deposits (CASA)	41,202	26%	**41,725**	**26%**	1.3%	7%
Fixed Deposits	88,222	56%	**91,064**	**56%**	3.2%	8%
Total Core Deposits (Bank)	**129,425**	**82%**	**132,789**	**81%**	**2.6%**	**8%**
By key type of customers						
Individual	88,159	56%	**85,518**	**52%**	-3.0%	11%
Business enterprises	62,745	40%	**67,039**	**41%**	6.8%	7%
Total Customer Deposits (Bank)	**157,414**	**100%**	**163,070**	**100%**	**3.6%**	**8%**

Core customer deposits comprising demand deposits, savings deposits and fixed deposits made up 81% of our total customer deposits base. Our core deposits expanded 2.6% y-o-y for an 8% market share. CASA, which are low cost deposits, grew at 1.3% y-o-y to RM41.7 billion and comprised 26% of our total customer deposits. Fixed deposits expanded 3.2% y-o-y to RM91.1 billion, representing a domestic market share of about 8%.

The Bank's stable funding base continues to be backed by a solid individual deposit base of RM85.5 billion and a mix of 52%, amongst the highest in the industry.

7. LIQUIDITY

PRUDENT LIQUIDITY MANAGEMENT AND INCREASING BUFFER TO SUPPORT FUTURE GROWTH



With regards to our funding and liquidity, while we have revised our LDR guidance, our position remains stable and prudent with LDR at 84.4%.

	FY2018	FY2019
Liquidity Coverage Ratio (LCR)	126%	**134%**
Loan to Funds Ratio (LTF)	84%	**88%**
Loan to Funds & Equity Ratio (LTFE)	73%	**76%**

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

As at 30 June 2019, the Bank's LCR position stood at 134%, exceeding the regulatory requirement, whereas loan-to-funds ("LTF") and loan-to-fund & equity ("LTFE") ratios are 88% and 76% respectively, well in line with industry.

8. CREDIT RATINGS

During the year, Moody's Investors Services has upgraded the Bank's baseline credit assessment ("BCA") to a3 and reaffirmed its long-term rating at A3 and short-term rating at P2, with a stable outlook. The upgrade of BCA is driven by the Bank's improved asset quality and strong capital position. Rating Agency Malaysia and Fitch Ratings have also reaffirmed our long-term and short-term ratings, anchored by our respectable retail and SME franchises, conservative risk appetite as well as sound funding and liquidity positions.

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

Rating Agency	Date Accorded	Rating Classification	Outlook
Rating Agency Malaysia Berhad	10-Dec-18	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Tier 1 Capital Securities: AA2	Stable
Moody's Investors Services Ltd	25-Jan-19	Long-Term Rating: A3 Short-Term Rating: P2	Stable
Fitch Ratings Ltd	22-Jul-19	Long-Term Rating: A- Short-Term Rating: F2	Stable

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9. CAPITAL MANAGEMENT

INTRODUCTION

HLB designed a capital management framework to enable the Bank and its principal subsidiaries to utilise its capital in the most efficient manner, with a strong emphasis on ensuring that there is adequate capital to meet or exceed regulatory thresholds.

When considering capital sufficiency, the framework guides each entity to consider their respective risk profiles, management targets and applicable regulatory standards or guidelines.

The capital management framework aims to:

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

CAPITAL MANAGEMENT FRAMEWORK

The Bank's capital management is guided by robust policies and procedures across the group. The Bank's approach to managing capital is detailed out in the Internal Capital Adequacy Assessment Process ("ICAAP"), which are approved by the Senior Management, Board Risk Management Committee ("BRMC") and the Board.

The Bank pro-actively assesses and manages capital adequacy against a series of internal quantitative capital goals which are designed to evaluate the Bank's capital levels in expected and stressed economic environments under ICAAP.

I) COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP

The ICAAP allows for a comprehensive assessment of all material risks that the Bank is exposed to and evaluates whether there is sufficient capital to support its business activities in relation to those risks, enabling the Group to meet its capital management objectives.

As part of carrying out ICAAP, the Bank undergoes several different stress tests that examine if the level of capital, derived from the Bank's annual budget, is adequate to weather adverse economic situations or a fast-gripping economic downturn.

Based on the results of these assessments, the Bank will calibrate and set its internal capital targets accordingly. These targets are reviewed annually to ensure that capital levels are maintained above regulatory requirements and that capital levels are sufficiently robust to give the Bank flexibility to manoeuvre and manage during difficult economic conditions.

II) BI-ANNUAL CAPITAL PLAN

The Bi-Annual Capital Plan sets a three-year strategic capital plan for the Bank, highlighting capital projections, requirements, levels of capital and the composition of the capital which will be aligned to the Bank's business and strategic objectives. The plan also takes into consideration concerns stemming from the regulatory, policy and stakeholder viewpoint, such as capital buffers, new accounting standards and expectations of investors, analysts and rating agencies.

CAPITAL INITIATIVES

The Bank takes great interest in ensuring its capital position meets the stringent Basel III capital requirements, expectations from stakeholders and to align with strategic business objectives. Major initiatives undertaken over the years include:

I) EQUITY CAPITAL

As at June 2019, the Bank held 81.1 million treasury shares that had been bought back previously. These shares which are available for sale can further strengthen the Bank and the Bank's Common Equity Tier 1 ("CET 1").

II) DEBT CAPITAL

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

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Over the year, there were redemptions of RM500 million and RM1.5 billion of Tier 2 Subordinated Notes, both in June 2019. Meanwhile, there was an AT1 issuance of RM400 million in March 2019 and a RM1.0 billion issuance of Sub Notes in June 2019 to replace the aforementioned redemptions and to strengthen the Bank's capital positions.

III) HEALTHY DIVIDEND PAYOUT

The Bank does not have a fixed dividend pay-out policy but takes into consideration a balance between growth and proactive capital management to ensure the long-term sustainability of dividends to its shareholders. The Board has proposed a final dividend of 34 sen per share, bringing the total dividend to 50 sen for the FY2019, 2 sen higher as compared to 48 sen in FY2018.

CAPITAL ADEQUACY RATIO

I) MINIMUM CAPITAL ADEQUACY REQUIREMENTS

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

II) CAPITAL BUFFER REQUIREMENTS

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

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

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

- Supplementary loss absorbency requirements for Domestic Systemically Important Banking Institutions ("D-SIBs") which may be imposed by BNM in the future. On 3 April 2019, BNM published an Exposure Draft on Domestically Systemically Important Banks ("D-SIB") to seek industry response by 15 May 2019.

- Per the Exposure Draft, D-SIBs will be required to maintain Higher Loss Absorbency ("HLA") requirement. Key points from the Exposure Draft include:

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

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

  - HLA requirements will be derived using an indicator-based measurement approach (IBA). Indicators are selected across three categories of systemic importance namely –

    (a) size;
    (b) interconnectedness; and
    (c) substitutability.

  - An overall score will be computed for each financial institution by BNM and HLA will be as per Table 1:

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

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

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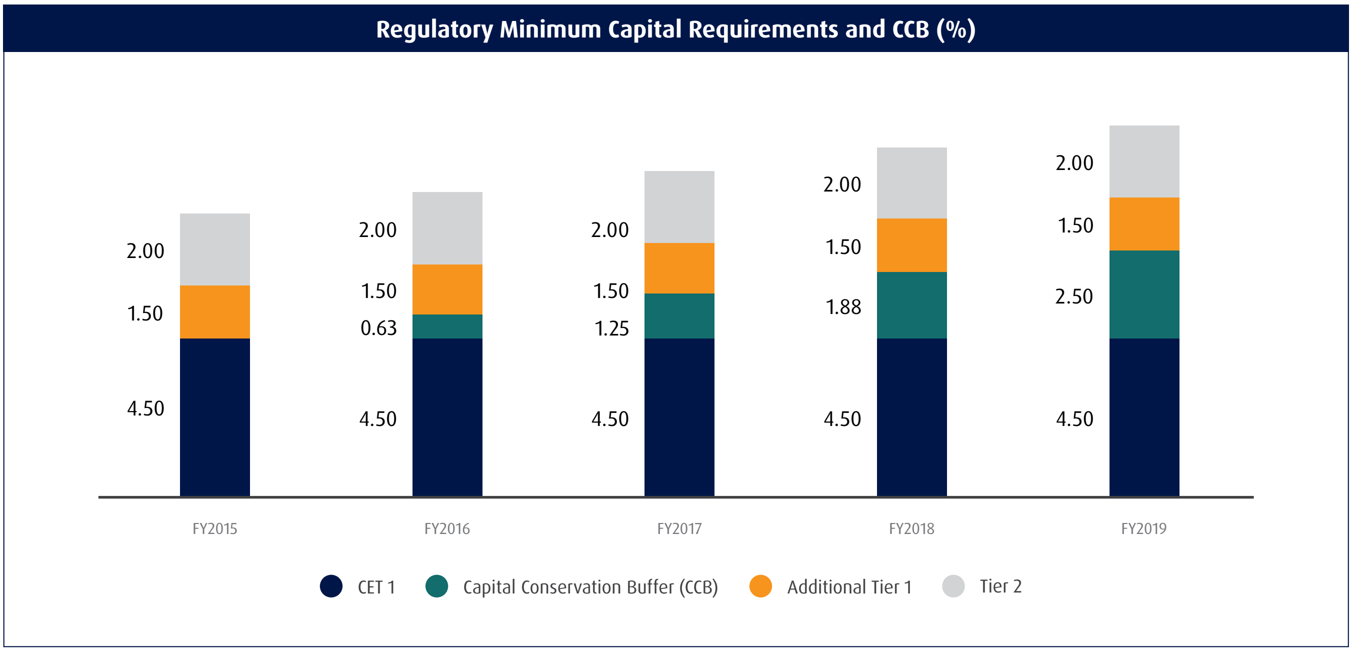

HEALTHY CAPITAL ADEQUACY RATIOS

The table below shows the capital adequacy ratios of the Bank, at both group and entity levels, presenting figures for financial years 2018 and 2019.

	HLB Group		HLB Entity		Regulatory Min with CCB	
After proposed dividend	**FY2018**	**FY2019**	**FY2018**	**FY2019**	**2019**	**2020**
CET 1	12.6%	**13.1%**	11.9%	**12.6%**	**7.00%**	**7.00%**
Tier 1	13.3%	**14.1%**	12.4%	**13.4%**	**8.50%**	**8.50%**
Total Capital	16.3%	**16.3%**	15.7%	**15.6%**	**10.50%**	**10.50%**

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1. PERSONAL FINANCIAL SERVICES ("PFS")

PFS continues to be the largest contributor to the Bank, making up 53% and 33% of its revenue and pre-tax profits, respectively. For FY2019, although PFS operated in a generally cautious consumer and business environment; we retained strong momentum, achieving double digit volume growth across most loan products while gaining market share in our key mortgage, auto and unsecured loans segments.

PFS recorded y-o-y loan growth of 6.7% which outperformed the industry, predominantly led by growth in mortgages and unsecured loans. Asset quality remained solid and stable as reflected by the low GIL ratio of 0.63%. This was mainly achieved through lower impaired loans in the auto and unsecured segments as we secured higher quality customer profiles.

OUR DIGITAL JOURNEY CONTINUES

The Bank continues to step up its digital transformation efforts as it realises its vision to be a Bank that is "Digital at the Core". FY2019 has been all about enhancing and increasing the mileage of our digital offerings – by creating more reasons for customers to use the Connect Online and mobile banking platforms. We continue to see strong customer adoption of our digital platforms, with more than 2 million users on Connect and Connect transactions accounting for 81% of all banking transactions. The digital transformation is also taking place at the branch level with more In-Branch Sales and Service Tablets rolled out to enhance the customer banking experience.

On the Connect App, we have seen encouraging response to the comprehensive array of features we now have on offer to our customers. Since its launch in mid-2017, we have sustained efforts to make the app simpler and as frictionless as possible, and we are looking forward to the launching of a refreshed Connect App that has been fully developed in-house, carrying a new feel and features to further enhance our digital offerings.

This past financial year, we added several new functionalities to the Connect App to better serve customers. With the launch of the DuitNow initiative in November 2018, customers are now able to send funds using a mobile phone number as a reference point instead of a bank account number. This feature was extended to the recent Hari Raya festivities with e-Duit Raya to facilitate festive gifting by utilising the DuitNow platform. Credit card features on the Connect App were also further enhanced with the introduction of credit limit increase requests via the app, further simplifying a process that would previously require customers to make a phone call to a customer service representative.

Another exciting feature that was introduced was mobile alerts, which allows users to keep track of transactions, receive updates, alerts and promotions directly on the app via their Connect inbox. Further in the pipeline is a new security feature, AppAuthorise, which will enable the authorisation of ad hoc transfers of RM10,000 and more.

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Acquisition of our customers through digital channels continues to grow in importance as it becomes increasingly cost effective and scalable. To leverage on this, HLB is the first in the market to offer a straight-through hassle free 'Add Card' service with just three clicks. This new service for existing credit card holders was introduced in September 2018 through our Hong Leong Connect online and mobile banking platform, eliminating the inconvenience of filling out a form when applying for a new credit card.

At the branch level, the In-Branch Sales & Service tablet, which was launched in 2017, has proven to be the transformative catalyst of the Bank's branch banking experience. We continued with its roll-out to more branches during the year and have now deployed the tablets to over 40 branches, with a target of 150 branches by the end of FY2020. We also continued our efforts to improve its functionalities and expand its capabilities to handle a wider variety of services such as Balance Transfer, Call-for-Cash and Flexi Payment Plans. We will be adding further capabilities for customers to be able to apply for personal loans, credit cards and more through the tablet to drive even more usage. The high customer adoption rates of digital channels in the past year has directly benefited our customers who now have minimal waiting times at our branches, and our employees who have to deal with fewer physical cheques as the number of such transactions have fallen by 19% y-o-y.

The Bank has also taken its digital transformation to the northern part of Malaysia with the opening of HLB's first Digital Branch at Burmah House in Penang. Opened on 2 August 2018, customers will experience an enhanced banking journey with the use of the In-Branch Sales & Service tablets while all cash transactions are performed using Teller Assisted Units or Self-Service Terminals. The premise is a physical extension of our digital strategy to deliver our services with the interests of our customer at front and centre, with the assistance of our employees who will be on hand to provide value added advisory services.

DIGITAL DAY

The Bank held its second HLB Digital Day on 7 July 2018 (7.7.18) followed by the third instalment on 7 July 2019. The HLB Digital Day is a celebration of our digital innovation journey with our existing and new customers, the very people who have inspired us to innovate and provide a better banking experience. During the campaign, we spend a week rewarding our customers for their strong support by giving them offers for amazing retail and banking products through both online and offline mediums.

In our second Digital Day on 7th July 2018, we launched the HLB Digital Day AR Challenge, and became the first bank in Malaysia to have our own Facebook Augmented Reality Experience. Using the newly introduced Facebook Augmented Reality (AR) platform, the Bank was able to showcase its digital services by creating engaging experiences with new and existing customers. We released seven Facebook AR filters which reflect the Bank's digital innovations, essentially bringing the HLB digital story to life.

PFS LOANS

Our mortgage business recorded strong loan growth of 8.3% y-o-y against industry growth of 6.5% despite the stagnant property market, supported by the Bank's balanced growth agenda with a focus on sustainable and quality loan origination.

The Bank broadened penetration into more affordable housing segments, which led to residential property loan growth increasing by about 10% for the year. Sales acceptance of properties valued between RM250,000 and RM500,000 recorded significant growth of 25% y-o-y. In line with the focus to originate quality loans while deepening our market coverage, we continue to support home ownership programmes, with 63% of total approvals extended to customers who do not have a housing loan as per their Central Credit Reference Information System (CCRIS) data.

As a result of our efforts, the Bank's market share increased from 10.3% in June 2018 to 10.5% as of June 2019. Moving forward, the business will continue to innovate to better serve customers, developers and property market intermediaries. In this context, collaborative efforts are underway with several PropTech and FinTech players to improve the property buying and financing process for consumers.

The auto financing business experienced an unprecedented year, as the automotive industry benefited from record sales with the removal of the GST in June 2018. However, given the one-off nature of this removal, we have not stood still and started to build strategic partnerships with key brands to better understand

Connect app user base

more than

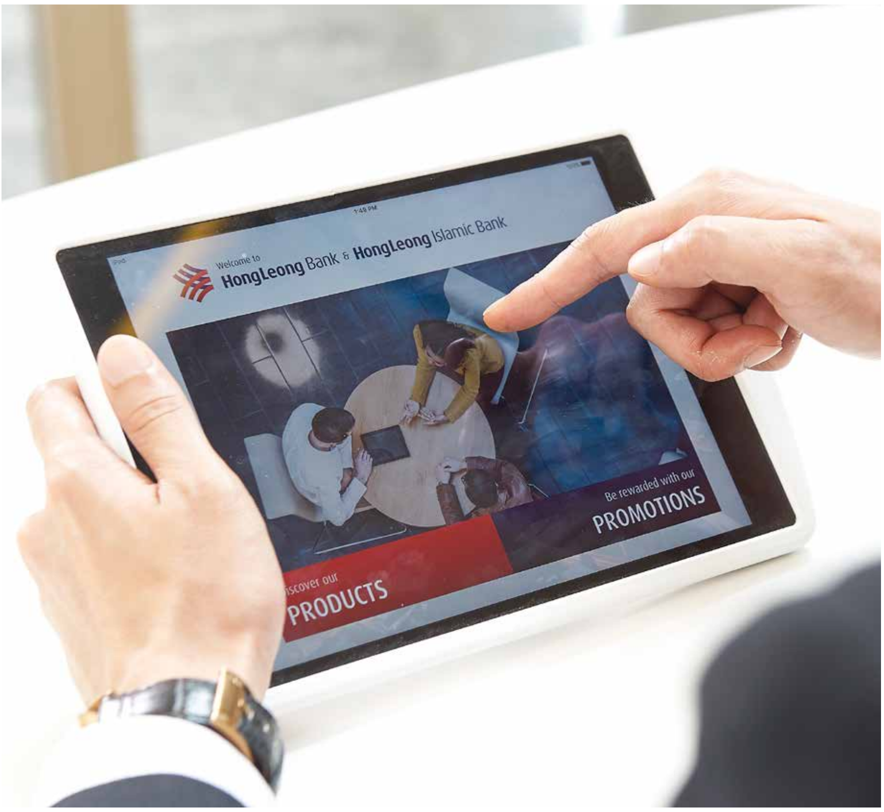
2 million

Connect transactions

81%

of all banking transactions

their dealers' needs and facilitate win-win opportunities. This allowed us to increase our loan disbursement by more than 30% y-o-y. Our service and turnaround time to customers continue to improve as we embark on improving our digital capabilities to simplify processes and customer experience.



PAYMENTS BUSINESSES

In FY2019, the Bank saw robust growth on two fronts with new credit card acquisition market share growth vastly outpacing the industry as well as massive growth in our Point-of-Sales (POS) merchant terminals with the introduction of a new game-changing terminal. These results were made possible because of HLB's strong digitalisation push and innovation strategies.

Market share in new cards acquisition saw a 24% y-o-y growth this financial year, outperforming the industry which saw a decline of 25%, a direct result of the Bank launching three co-brand credit cards that has opened up a vast customer base. The first card was a refreshed partnership with Golden Screen Cinemas (GSC) in July 2018, followed by new partnerships with AirAsia in November 2018 and Emirates Airlines in May 2019. These co-brand partnerships have opened up a new customer base of over 20 million to take up our cards and more significantly, presents new ways for us to engage with the increasingly important millennial, mass and affluent traveller segments.

In October 2018, we introduced the first-to-market, all-in-one smart Point-of-Sales (POS) terminal that allows multiple cards schemes and e-payments acceptance on a single device; making it one of the most effective, versatile, seamless and easy payment solutions available to both merchants and consumers in Malaysia. This initiative contributed significantly to our merchant business during the year, leading to a 194% increase in merchant terminals deployed. Our collaboration with WeChat have seen promising feedbacks from customers, with approximately 1,600 merchants signed up and 7,800 terminals as of June 2019. In addition, we have upgraded our e-commerce platform to enable enhanced security features such as tokenisation as well as 3DS Secure, which allows merchants and HLB to monitor real-time transactions. In line with the national agenda of moving towards a cashless society, we continue to aggressively drive awareness campaigns to increase the use of debit cards, resulting in debit card transactions posting a 38% y-o-y growth.

The Bank's personal loans base grew 8% y-o-y on the back of stable impairments and a marked increase in sales activity from our digital channels. We continue to see our digital initiatives as a differentiator in offering an easy and convenient way to apply for small personal loans, which has resulted in sales from digital channels more than doubling during the year. Loan applications from our online Connect channel was one of the main growth contributors. To boost growth in this area, we remain selective about segments we choose to service, focusing on targeted segments who are resilient even during times of economic uncertainty.

Our digitalisation efforts have also resulted in the launch of a 24/7 AI-enabled Chatbot which instantly resolves basic and general customer queries, enabling us to drive stronger engagement with existing merchants and elevating the experience of our prospective customers.

PFS DEPOSITS

Retail deposits balances dropped marginally y-o-y driven by high fixed deposit rates. Our individual deposit mix remains one of the highest in the industry with the Bank utilising strategic initiatives to build on the acquisition of salary and junior accounts.

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RETAIL WEALTH MANAGEMENT SERVICES

The Bank's Retail Wealth Management Services is a key segment in the PFS portfolio, contributing significant fee income to the business. Despite a challenging business environment due to market volatility and concerns over the US-China trade war, our total assets under management grew 25% y-o-y. This was possible due to our focus in tailoring solutions to better meet customer's investment objectives. As an example, there has been an increase in the drive for income-centric portfolios, which are more stable and suitable to some customers during challenging economic environment as these portfolios are more oriented around yield generation and capital preservation rather than capital gain.

PFS continues to work closely with our insurance partners, Hong Leong Assurance and Hong Leong MSIG Takaful, to offer complete suites of Regular Premium and Single Premium insurance/takaful products to meet the insurance needs of all customer segments. To attract more customers, a new product, the Hong Leong SMART FiT CI Insurance plan empowers customers to stay active and rewards them for practising a healthy lifestyle was launched in February 2018. Strong performance by the Bank's mortgage segment drove a solid 20% y-o-y growth for bancassurance credit life income. We will continue to expand our distribution capabilities and will include simple insurance products that can be obtained via digital channels.

PRIORITY BANKING

Improving the customer value proposition remains the cornerstone of our efforts in growing the Priority Banking segment. To do this, we provide a comprehensive range of financial solutions, featuring Wealth, Protection and Financing products

supported by professional and well-trained service-oriented relationship managers. New products introduced exclusively for Priority Banking customers recently include the HLB Emirates Card and Overdraft Secured by Unit Trust. We continue to drive engagement with this segment of customers through frequent lifestyle events, insightful seminars, and personalised wealth management services from our relationship managers and investment consultants.

To better support our customers in the northern part of the country, we have opened our first Priority Banking Centre at Burmah House, Penang in August 2018. We will continue to upgrade our Priority Banking Centres in the major cities nationwide to offer a better banking environment and bespoke priority services to our customers.

BRANCH TRANSFORMATION

We amalgamated a further 19 branches in FY2019, bringing the total to 44 branches that have been amalgamated over two years. The branch amalgamation strategy envisions a streamlined branch network and will enhance our strategic branches with a bigger and better retail presence. Branches that are within 2km of each other were merged, while some of the branches were renovated to provide better customer experience.

MOVING FORWARD

The Bank continues to focus its efforts in further developing the capabilities of the Connect Mobile App to help our customers conduct their transactions whenever they want with as little friction as possible to create an excellent banking experience. We plan to include more products and services to our Connect platform so that it is empowering, relevant and beneficial to our customers. Our branch transformation continues to focus on changing the customer journey from a transactional experience to an advisory experience, while we reskill our people to better able to meet the future needs of our customers. Overall, we expect to sustain our loan and deposit growth and gain market share without compromising asset quality and returns, with the goal of increasing our customer base.

2. BUSINESS & CORPORATE BANKING ("BCB")

BCB performed strongly this FY2019, registering revenues and PBT at RM1.2 billion and RM828 million respectively. This represents a 25% and 26% contribution to the Bank's total income and PBT.

Building on last year's business performance, BCB loans grew a solid 6% y-o-y, outpacing the industry average, spurred by our focus on the commercial segment and strategic SME client segment, which grew a respective 11% and 40% y-o-y.

Our Current Account balances are also in healthy shape, registering growth of 8% y-o-y, a larger increase compared to last year's performance and outperforming the industry's demand deposit growth rate.

BRINGING SME INTO SHARPER FOCUS

HLB continues to leverage on its strengths and client network to grow in the commercial and SME market segments by investing resources tailored to meet our client's needs. For example, our flagship SMElite financing programme offers clients a holistic financing solution and has been instrumental in driving growth in the SME segment. The SMElite programme is a solution that essentially covers an SME's needs from end-to-end, with products such as term loans to buy property, trade and working capital facilities and forex hedging – all products key to our sustained growth momentum.

The Bank's aim is to be the preferred bank of choice for Malaysian SMEs, a segment that contributed 38.3% to the country's GDP in 2018, a figure that continues to rise and outpace Malaysia's overall GDP growth. We want to be a part of this growth by improving the customer experience further through our digital transformation that will also focus on developing holistic SME-centric banking products. Apart from our in-house development of products, development plans in the pipeline include collaborations with FinTechs in areas such as Peer-to-Peer ("P2P") lending, digital business solutions, e-commerce marketplace, supply chain financing and straight through loans using scorecards.

To establish a firmer foothold in the SME space, we have now deployed over 170 community business managers ("CBM") throughout the country over the year. The CBMs will be based at branches across local communities nationwide, tasked with going to the ground to acquire new SME banking clients within their areas of coverage. This initiative falls under the Bank's SME banking portfolio which has seen sustained and significant growth since it began in 2017.

HLB is also working closely with government agencies and various SME associations/bodies to expand our SME outreach and is targeting to approve RM7.5 billion worth of financing to Malaysian SMEs in 2019. Notably, we have signed a Memorandum of Understanding (MoU) with the Malaysia Motorcycle & Scooter Dealers Association ("MMSDA") in June 2019 to provide a comprehensive suite of banking solutions to bolster the motorcycle and scooter industry and overall SME growth in the country. From the partnership, MMSDA, including the 16 State Associations under MMSDA and over 6,000 of their members stand to benefit from the holistic financial products and solutions specifically designed to meet their business and individual banking requirements.

Throughout the year, the Bank has worked hard to create a more frictionless experience for SMEs with the use of digital initiatives. We have also displayed strong growth in acquiring SMEs whilst launching efficient and effective tools for SMEs to enhance their business performance. For this, we were awarded the "Best SME Bank in Malaysia" award at The Asian Banker International Excellence in Retail Financial Services Awards 2019. HLB was also recognised as the "Top Financial Institution Partner (Overall Category)" at the Credit Guarantee Corporation (CGC) SME Awards Ceremony 2019. This achievement recognises HLB's active participation in CGC's financing schemes and underlines our continued commitment towards supporting the financing needs of Malaysian SMEs.

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GROWING NEW FOCUS SECTORS

While BCB manages its existing customers and portfolio, it is also part of the Bank's strategy for the corporate and middle market segment to continuously review the industry to identify new focus sectors for growth opportunities. One such area is renewable energy, where we are committed to extend financing to this space, in line with the public sector's push towards the green agenda and greater renewable energy mix.

Throughout the year, the Bank has participated in a series of events and workshops organised by key renewable energy bodies as well as industry players to indicate our support of the industry and to share potential banking solutions. Our commitment to the sector can also be seen via the on-boarding of an in-house renewable energy specialist with the mandate to not only offer structured financing solutions for a client's expansion/projects, but to provide advisory services to clients on the developments and rapidly changing trends in the renewable energy sphere.

In addition, the Bank was the official banking partner of the Invest Selangor International Expo 2018, which was held in conjunction with the Selangor International Business Summit 2018 from 6-16 September 2018 at the Malaysia International Trade and Exhibition Centre (MITEC) in Kuala Lumpur. The collaboration is part of BCB's strategic objectives of offering our banking services to companies from Selangor's key growth industries such as the halal segment, electrical and electronics product manufacturers, logistics, warehousing and many others.

THE FUTURE IS DIGITAL

For FY2020, the Transaction Banking business will focus on improving its products and increasing efficiency which will enhance the user experience. We have put significant time and effort into redesigning and digitalising the customer journey when they bank with us, and it starts at the beginning of the process with our initiative to significantly reduce the turnaround time for the on-boarding of our BCB clients. In the future, clients will no longer need to visit a branch to open a business current account and apply for a merchant facility, as we would have streamlined the process to accept all required documentation via our online banking platform. To take it a step further, we will be modernising the credit application and approval process, which will result in faster and more accurate processing of our client's credit requests. This initiative covers all stages of the credit process from point of application, to loan application, to approvals, to acceptance, to loan documentation and finally, disbursement.

HLB has introduced a host of transaction banking products and services over the past 12 months leveraging on digital technology. As an example, we have an ongoing collaboration with i-Pay88, a leading ASEAN online payment gateway solution provider for e-Mandate, which is an online transaction verification solution that makes direct debit application approval seamless and quicker. The liquidity management module within HL ConnectFirst platform also enhances the customer's banking experience with improved visibility and granularity as they are now able to track, monitor and manage their liquidity efficiently throughout their operations and company structure.

For our efforts, we were honoured to receive industry recognition for the HL ConnectFirst cash management platform and approximately 14,000 customers sign ups since launch. We were awarded the "Best Payment Bank in Malaysia" by The Asian Banker during the 2019 Transaction Banking Awards. In addition, we were also awarded the "Best Treasury & Cash Management Banks and Providers 2019 – Malaysia" by Global Finance.

MOVING FORWARD

Our strategy going forward has been set to focus on three key areas that will enable us to create sustainable value and further improve the customer's experience. The first would be sustaining solid loans growth momentum, imbued with a disciplined lending approach to ensure that asset quality is not compromised and returns are optimised. We expect this portfolio to see continued above-industry growth rates as we intensify our focus in the middle market and SME client segments. To further bolster fee income contribution, there will be added emphasis on contextual marketing and cross-selling of the Bank's suite of products and banking solutions to our customers.

Our online platform, HL ConnectFirst will continue to be enhanced as we strive to be the preferred transaction banking partner for our middle market and SME client base. Our strategy is largely underpinned by our cash management services and we aim to leverage this to enable our CASA balances to surpass the industry average. As with all of the Bank's digital efforts, we will also be improving the ConnectFirst interface to enhance the user experience, including the introduction of e-tokens and a mobile version for a more frictionless engagement, as an example.

3. GLOBAL MARKETS ("GM")

The GM business is present in five countries – Malaysia, Singapore, Hong Kong, Vietnam and Cambodia – serving as a key product partner for the Bank's clients. The core products that allow us to offer comprehensive solutions to our clients include Foreign Exchange, Fixed Income, Derivatives and Structured Products. The GM business also offers Shariah-compliant products and manages the Bank's excess liquidity and capital through investments in Fixed Income and Money Market instruments.

PERFORMANCE REVIEW

The GM business performed admirably for the year with revenues and PBT at RM517 million and RM407 million respectively. This represents an 11.2% and 12.8% contribution to the Bank's total income and PBT, respectively, for FY2019.

Leveraging on the transformation of our branch locations and distribution network, we achieved strong momentum in branch and SME forex revenues, and increased deal activity from our Financial Institutions/Government-Linked Corporations segment.

GM's strong performance continues to be recognised by leading publications such as The Asset, which awarded Hong Leong Bank best MYR bond sales for 1st and 3rd placing and 3rd for research and trading in the Local Currency Bond space.

INITIATIVES FOR THE PAST YEAR

GM's focus for the year has been on improving our digital offerings especially in forex execution through e-channels. We have endeavoured to give our retail and corporate customers a seamless remittance experience through enhanced cash management and online remittance systems. GM is also working with FinTechs to transform our customer's remittance experience, in line with changing customer behaviour and preferences.

The GM business strongly emphasises compliance in all its processes and we have comprehensively rolled out Transaction Monitoring, Operational Risk Frameworks and Risk and Compliance Self-Assessments (RCSA) to enhance the oversight of our trader's activities.

MOVING FORWARD

Malaysia's economy is expected to remain on a steady growth path in second half of 2019 supported by domestic business activities and consumer demand. Malaysia's interest rates are expected to remain unchanged in 2019 whilst US cut interest rates by 25bps on 31 July 2019, its first rate cut since 2008 with expectations for a further reduction in the later part of 2019.

We believe the foreign funds outflow in early 2019 will abate in the months ahead and could potentially return in 2020. We will continue to have a competitive advantage in intermediating these flows through our strong Ringgit fixed income and forex franchise, coupled with our experienced sales team in Singapore.

For our SME and retail customers, we expect to see increased forex activities as evidenced by the progress the Bank has made in the SME market. Our complete Islamic banking product suite will also provide us added advantage in growing Shariah-compliant investments and customer hedging flows.

Revenues

RM**517**

Million

PBT

RM**407**

Million

4. ISLAMIC BANKING

In the FY2019, HLISB performed strongly with PBT increasing 16.5% over the previous year. ROE and ROA continued its upward trajectory to 14.0% and 1.02% respectively from 13.2% and 0.94% during the same period last year.

The earnings growth was a result of an expanding financing business, supported by improvements to our CIR which strengthened to 29.9% compared to 32.1% in the last financial year. This was further bolstered by improving asset quality and growth in our non-financing income stream.

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EMPOWERING ISLAMIC FINANCE

Our digital transformation plan has taken off strongly, with the completion of a number of significant milestones to enhance the customer experience. For example, we successfully launched a first-to-market investment product that can be fully subscribed online, the Term Investment Account-i, and are in the midst of widening our digital offerings in the Islamic wealth management space. In terms of improving the customer experience, we have added a new e-channel where applying for personal financing can be performed via In-Branch tablets at branches. In addition, we collaborated with the University of Malaya to develop a chatbot for the public that can answer questions about Islamic Finance.

For our retail segment, HLISB is positive about capturing a bigger proportion of the Islamic Wealth Management space as we turn it into our key growth area. Our efforts to drive this business has rapidly gained recognition with HLISB being awarded the "Inspirational Starz Award" at the Amanah Saham Nasional Berhad (ASNB) Starz Award Nite 2018, a testament to our success in driving sales of ASNB unit trust funds. This award comes less than a year after the Bank commenced its partnership with ASNB as a fund distribution agent. The Bank now offers 16 funds consisting of variable and fixed funds throughout our Malaysian branch network.

HLISB has been very supportive of the SME market and works closely with government agencies such as TERAJU, SME Corporation and Credit Guarantee Corporation Malaysia (CGC) to reach more prospective SME clients. Our partnership with SME Corporation under the Shariah-compliant SME Financing Scheme (SSFS) has seen continued success, where HLISB has been able to provide financing facilities with competitive rates to its SME customers while our participation in CGC's Portfolio Guarantee Scheme has enhanced our position to meet our financing target, and further signifies our contribution towards nation building.

The quality of our human capital is vital for HLISB's success and we continue to invest in improving our human resources. Our efforts are to ensure that we nurture talent and provide opportunities for career growth and subsequently lead to a more knowledgeable Islamic finance workforce that will play its part to help uplift the entire industry. Recently, six talents have successfully completed our internal Shariah Graduate Training Programme and have been placed at various divisions. We have also accepted a new batch of trainees under the Protégé programme to give them exposure to Islamic banking products and processes while our existing employees continue to attend various external and internal training provided by reputable training agencies.

From a more macro perspective, the size of the global Halal economy is expected to reach USD 9.71 trillion by 2025, while the value of Malaysian halal exports is expected to expand to RM45 billion this year from the RM40 billion registered last year. These trends, driven by growing Muslim populations and the ensuing demand for halal-certified products, indicates tremendous business opportunities for HLISB to support the industry through the provision of holistic Islamic financial services, particularly Islamic trade financing.

SUSTAINABLE ISLAMIC BANKING

Since the announcement of Value-Based Intermediation ("VBI") principles in 2017 by Bank Negara Malaysia, we have been actively integrating these principles into our business strategies. In line with the Bank's sustainability practices, HLISB is focusing on the main thrusts of VBI which are: community empowerment, knowledge sharing, good self-governance and best conduct.

Throughout the year, there have been many achievements by HLISB that are in line with the aforementioned thrusts, which are:

Main Thrusts of VBI

- **Community empowerment:**
  Participation in initiatives and programmes supporting the SME market.

- **Knowledge sharing:**
  Development of Islamic Finance Chatbot and Islamic finance article publications.

- **Good governance & best conduct:**
  Shariah Thought Leadership through various positions in institutions related to the Islamic finance industry.

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5. INTERNATIONAL

A) BANK OF CHENGDU ("BOCD")

BOCD continues to deliver strong profit contribution to the Bank in FY2019, returning better profits once again compared to the previous year. Profits grew at a pace of 7.4% y-o-y to RM554 million, representing 17.4% of the Bank's pre-tax profit. Going forward, BOCD's strategy is to continue to grow cautiously in selected business segments amidst uncertainties in the Chinese economy, with emphasis in growing its retail segment and the digitisation of its operations.

B) HONG LEONG BANK SINGAPORE ("HLBS")

HLBS recorded an operating profit of RM37 million in FY2019 against total income of RM136 million, while its loan book stood at RM5.2 billion.

HLBS's nature as a single branch operation has driven us to remain focused on identifying and building niche business segments. To this end, we continue to restructure our business by extending the coverage of HLBS Private Wealth Management from the existing wealth of baby boomers to the new wealth of millennials. As the business is developed with a regional strategy, it will leverage the other Hong Leong franchises in the region to expand to other Asian markets. HLBS has grown over the last three years from its core business of Private Wealth Management to include BCB and the expansion into specific areas in PFS.

As HLBS targets to grow its assets under management from RM7.5 billion to RM30 billion in the future, and it now focuses on a niche segment in Health Banking to serve the personal and business needs of high net worth doctors. This segment is developing well, now into its second year and has expanded its relationship manager team from 10 to 20 and continues to enhance the customer experience with more products and a new digital platform.

HLBS has diversified its business sectors into PFS businesses focusing on Auto Finance and the unit has performed well by growing its loan book to RM2.2 billion. In FY2020, it targets to grow its loan book further by widening tie-ups with dealer distribution networks and launching a digital platform for on-line loan applications and approvals.

BCB is another growth area for HLBS as it targets to grow its loan book, focusing on Medium Enterprise segment, over the next three years. In FY2020, BCB will continue to increase its loan product offerings, build bench strength and implement a regional digital platform for cash management and trade financing together with the head office and other offices in the region to accelerate its market outreach to SMEs.

C) HONG LEONG BANK VIETNAM ("HLBVN")

The franchise has made significant progress and posted strong results in FY2019, with loans growing by 52% y-o-y and deposits by 70% y-o-y in FY2019. The GIL ratio improved significantly, with a reduction of 0.71%, leaving the franchise with a low GIL ratio of 0.26%. Total income increased 41.4% coupled with an operating expense decrease of 2.0%, creating positive JAWS of 43.4% for HLBVN.

Profit contribution from BOCD

RM554

Million

7.4% y-o-y increase

HLBVN loans growing by

52%

y-o-y

HLBCAM loans growth was up

24%

y-o-y

These impressive results were largely due to the first of HLBVN's two-pronged strategy, which aims to "Strengthen Existing Operations" and consisted of initiatives to enhance PFS sales activities, sharpen BCB focus and improve operational efficiency. The attention to operational efficiency not only brought about savings equal to the value of 15 headcount (8% of the total workforce) but allowed us to grow our business as the savings were re-invested in expanding our sales force and setting up the Retail Digital team.

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Under the second strategic prong to "Create a Retail Digital Bank", which sets out to capture future growth opportunities and achieve scale in the fast moving and growing Vietnamese market - HLBVN released a new mobile app which was designed and built exclusively for customers in the Vietnam market to help to increase customer engagement and improve the banking experience.

In the new financial year, the franchise will keep focusing on the Retail Digital Bank initiative. To do this, we will be introducing virtual prepaid cards (which allows for 100% digital acquisition of customers) and debit cards in the second half of 2019, and we are also leveraging on partnerships and tie-ups to accelerate customer acquisition and engagement. Another priority for the new financial year is to tap into the growing and still relatively nascent SME market in Vietnam. Work is underway to implement an end-to-end SME solution encompassing sourcing, policy and procedures to operations and risk monitoring, and the plan is to have the pilot ready in early 2020.

D) HONG LEONG BANK CAMBODIA ("HLBCAM")

HLBCAM continues to perform impressively, recording RM23.28 million in PBT while growing revenue by 23% y-o-y to RM59.48 million.

In FY2019, our deposit book grew by RM221 million or 22% to RM1.22 billion, a higher pace of growth compared to the previous year. Loan growth was up 24% or RM247 million to RM1.27 billion, while CASA as a percentage of total deposits is at 33%. Our deposit and loan growth are largely in line with the industry average.

With six years of operations and over 7,000 customers today, HLBCAM aims to be Cambodia's 'preferred' digital and innovative financial services provider. Targeting high net worth individuals, the affluent and emerging affluent, as well as dynamic, young and tech-savvy customers, we aspire to improve and enhance the customer's digital banking experience and will do this by minimising customer turnaround times, a cornerstone of our digital strategy. We also plan to engage with the SME industry and help them grow to increase their contribution to the Cambodian economy.

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

In FY2019, HLBHK successfully implemented a new Core Banking system to align with and augment collaboration with the Bank and other overseas branches, supporting the expansion of the branch's customer segment and product mix.

Our focus to expand in the SME segment has also been boosted following the approval from the Trade and Industry Department of the Hong Kong Government (TID) to join their SME Loan Guarantee Scheme (SGS). Under this scheme, TID provides a loan guarantee of 50% of the loan amount to SMEs to help them secure loans from participating lending institutions (PLIs), thus giving us more room to acquire more clients.

HLBHK will be expanding the SME business through two initiatives; by expanding the sales team as well as growing the liabilities book to acquire new deposits from other corporates and quasi government bodies. In line with the Bank's digital aspirations, we plan to develop a Corporate Internet Banking platform through ConnectFirst to go live in Hong Kong to ensure our customers will enjoy a more enhanced and efficient banking experience.

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6. INFORMATION TECHNOLOGY

The technology unit has once again had a remarkably productive year, with continued focus and drive to enable the Bank to maintain its competitive edge. The Bank is fully committed to our brand promise 'Built Around You' and ethos of being "Digital at the Core" by providing solutions to customers and positioning the franchise for continued digital growth and enablement at a sustainable cost. In addition to driving digital offerings and improving internal technology development capabilities, there were also large investments in compliance-based initiatives ensuring continued strength of our compliance and cyber security postures.

We saw a marked improvement in the number of digitally driven projects under execution and delivery - with 36 major projects delivered in the reporting period and another 49 still under execution. The leap in productivity was aided by the adoption of agile development and tighter project management methodologies, as well as an enhanced technology workforce.

The Bank's long-term technology vision is to become technologically independent and adopt technology as a critical core component of the Bank to drive future business growth. We are making deep inroads into this vision and we have seen our development teams introduce and enhance a myriad of new features, which essentially touches on and improves every facet of the banking journey. In the retail space, this includes: CASA linked trading capabilities, ASNB financing propositions, account revision without the use of passbook and improved customer usability and experience of our ATM and recycle machines.

At the branch level, the Bank has been rolling out enhanced tablet-based teller solutions incorporated to teller assist units with biometric authentication capabilities and straight through application and servicing. Other digitalisation efforts include online card management functionalities, online straight through credit card applications, workplace collaboration tools, robotic process automation throughout our call centres and back office functions, as well as various internal and external chatbot enhancements. In addition, we embarked on commercial API (Application Programming Interface) tie-ups regionally with key strategic partners such as Adobe (Malaysia), MyInfo (HLBS), Payoo (HLBVN) and Pi Pay (HLBCAM). These initiatives are to enhance customer touchpoints and improve customer acquisitions; they also support our commitment to practising sustainability through the continual reduction of paper use.

To keep pace with the above, the Bank has ramped up the acquisition of internal development skills to continually accelerate digital enablement across all our banking entities. By partnering with Malaysian regulatory bodies, we have initiated a graduate hiring scheme with some of Malaysia's leading ICT (Information and Communication Technology) education facilities to take in 40 digital-focused Malaysian graduates a year over the next four years. These graduates specialise in various programming languages and have capabilities in the area of User Interface/User Experience ("UI/UX"). With this initiative, we are demonstrating the Bank's commitment to the digital economy and our ethos of being Digital at the Core, while also providing and creating jobs that are fit for the future. The successful graduates will be mentored and trained by our existing employees to build and maintain in-house customer facing digital channels. There are now 12 of such e-channels, an increase of 50% since the last reporting period.

In conjunction with the aggressive ramping up of the Bank's digital delivery capabilities and ecosystem, we expend considerable effort to improve customer experience and engagement through the improved accessibility of our services. As a result, and for the third year running, there has been a further 13% y-o-y reduction in unplanned downtime. This was achieved through the continued implementation and improvement of our strategy to leverage on technology such as private cloud ecosystems, Active–Active configuration and automation. There has also been continued investment in new and more accessible technologies and the development and activation of monitoring and alerts capabilities using open source technologies. Another major initiative that has enabled the Bank's continuous advancement included the migration of content for both HLB.com.my and HLB.com.vn to a powerful and robust content engine, allowing fast and efficient changes while enhancing mobile optimisation capabilities. These capabilities will be extended to the Bank's ecosystem in the coming reporting period.

With the continual improvements to system availabilities, capabilities and response times, there has been clear improvement in our digital platform CSAT (Customer Satisfaction) scores and a strong and sustained take up of the Bank's digital channels. This is evident through a 20% y-o-y increase in customers using Internet banking and a 46% y-o-y increase in the number of customers using mobile channels. As further recognition of the delivery and progress of our technical capabilities and offerings, we were acknowledged for delivering a seamless mobile web experience to our customers. This recognition was contained in an article released by Google in association with Accenture in March 2019 entitled "Masters of Mobile Southeast ASIA report", where we scored above both Malaysian Financial Institution's average and South East Asian Financial Institution's average by 15% and 6% respectively.

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Apart from the developments in Malaysia, we have also spent FY2019 strengthening the Bank's regional digital ecosystem footprint, capabilities and offerings via digital product offering through the increased use of available industry API providers such as Pi Pay, Payoo, Worldcheck and Myinfo.

While our technology unit has implemented many improvements, we continue to actively manage the long-term cost efficiencies of digital enablement and take up through the use of enterprise open source tooling and non-proprietary hardware. The benefits from our long-term strategy has not been fully realised but we expect to see both cost savings and cost avoidances with improved hardware and software capabilities and efficiencies compared to traditional technologies and approaches.

SINGAPORE

New Private Wealth Management capabilities and tools, new CASA and Auto Finance digital applications with reduced turnaround time (from days to minutes) and significantly less input requirement (80% less fields)

CAMBODIA

Key partner tie ups with Pi Pay utilising APIs to facilitate enhanced features and functions for our customers

HONG KONG

Activation of a new and refreshed core banking system that provides enhanced product capabilities

VIETNAM

New card management system, new proprietary mobile application and enhanced corporate functionalities, and API tie-ups with Payoo for enhanced customer functionalities

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MOVING FORWARD

Moving into the new financial year, our technology team together with stakeholders will continue to invest and embark on a series of new initiatives which will see more digital products and capabilities rolled out geographically across our business, in Malaysia and overseas operations. Once again, these improvements will affect every level and layer of the Bank with the overarching goal of creating a seamless, frictionless and pleasant customer experience. Some examples include: retail pre-paid credit cards, regional corporate internet banking, eKYC (electronic Know-Your-Customer) capabilities and enhancements/ additions to both online and branch tablet services with a focus on developing these improvements using in-house capabilities.

CYBER SECURITY & DATA PRIVACY

Cyber security and data privacy are an ongoing and significant concern for the Bank, as lapses or compromises to our systems could create risks and expose the Bank and its stakeholders to commercial losses and reputational damage. The odds that operations will be disrupted, and the possibility of extortion is also heightened if safeguards are not put in place to prevent and neutralise potential threats.

The Bank recognises these concerns and has invested heavily in ensuring the Bank's as well as our customers' data is protected and secured. Beyond this standard preparedness, the Bank takes a proactive stance to cyber security by keeping itself informed of the latest cyber threats, thereby reducing the risk of the threats. We do this by collaborating with international organisations and security researchers to keep abreast of cyber threat intelligence and invest in having the capability to proactively mitigate emerging threats. We also conduct simulations to test the readiness of the Bank and periodically run cyber readiness exercises to test, validate, and thereafter strengthen controls, that are in place. To ensure that customer data is protected, the Bank uses industry strength encryption capabilities to protect data-at-rest and data-at-transit.

Being aware of global threats is a key focus area for us. The Bank has recently tied up with a global threat intelligence provider to give visibility into cyber security threats that happen globally. This includes activities that happen in the deep-web and dark-web, which provides the Bank the ability to proactively mitigate threats and protect our customers in the event financial information such as credit card details become exposed. Protecting customers has always been a top priority for us, and recently have also taken steps to take out an insurance policy that will provide an extra layer of cyber protection against cyber incidences related losses. In addition, we have invested in tools that will allow us to monitor access into our systems and hence, detect and report unauthorised access promptly. This is an evolving area and will require consistent investments and capabilities enhancements to ensure we remain highly vigilant in this increasing area of risk.

HLB continues to proactively improve its security posture by conducting Red Team exercises. These exercises are based on current cyber threats that affect the Financial Service Industry worldwide, looking at TTP (Tools, Techniques and Procedures) used by threat actors to test the cyber defences of the Bank and ensure its resilience, while looking at areas to improve the cyber readiness of the organisation.

The Bank utilises a Security Operations Centre that operates round-the-clock, providing defence against inbound attacks and mitigates them by using an antispam gateway and the APT (Advanced Persistent Threat) mitigation platform. As we continue to guard against potential trespassers and hackers, we will continue to improve our cyber security readiness by allocating sufficient senior management and board level time and attention. We will carry on to refresh security infrastructure, mapped against the latest threats, while policies and procedures which govern day-to-day operations are periodically reviewed to ensure that they reflect the latest market intelligence.

Data privacy and protection of personal data continue to be paramount as required under the Personal Data Protection Act 2010 (“PDPA”), Financial Services Act 2013 (“FSA”) and Islamic Financial Services Act 2013 (“IFSA”). We will continue to invest to ensure the confidentiality and security of personal data is strictly adhered to. We maintain a Privacy Policy so that employees, customers and partners understand how we collect, use and manage personal data.

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

i. Upon joining the Bank, all new employees attending the manager’s induction goes through an introductory session on the background, implications and applications of PDPA and secrecy laws under FSA/IFSA.

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

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

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

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

vi. We have enhanced physical security access to our premises and IT systems to ensure that only authorised personnel have access.

vii. Enhancement to physical security also includes branch network and self-service machines, whereby HLB worked together with BNM to implement ink staining, shutters and bollards. IT systems are monitored round the clock using tools to monitor access, giving capabilities to detect and report unauthorised access.

7. CUSTOMER EXPERIENCE AND ANALYTICS ("CEA")

At HLB, we put customers at the heart of everything we do. We work with customers across all aspects of their lifecycle to understand their wants and needs. With ever growing customer expectations, we continually innovate to design compelling digital and non-digital experiences for our customers across all channels.

As part of our goal of being a highly digital and innovative ASEAN financial services institution, the Bank has put in place a number of initiatives to continuously enhance and elevate the experiences of our customers:

USE DESIGN THINKING TO CREATE NEW CUSTOMER PROPOSITIONS

We use Design thinking and customer co-creation to design new customer journeys and experiences.

Design Thinking is a human-centred approach to innovation design that integrates customer needs, technology, and requirements for business success. This approach differs from the traditional 'inside-out' approach, whereby it puts customers at the centre throughout the design process. This process includes ideating, designing, creating, testing and delivering new digital customer journeys and experiences.

By putting customers at the heart of the design process, we are able create digital and non-digital experiences that matters most to our customers at their key life moments – e.g. opening their first junior savings accounts, starting their first job, purchasing a car, purchasing a property or creating and managing their wealth. Our goal is to make banking simple while creating emotional connections with our customers by being their trusted banking advisor.

Over the last year, we committed a considerable amount of resources in developing design thinking talent and competencies across the bank. To date, we have close to 1,000 employees across the bank trained in design thinking concepts and we have eight in-house design-thinking facilitators who are now running multiple concurrent design thinking initiatives to take our digital and non-digital customer experience to the next level. Design thinking is now transforming our organisation's way of working from a traditional organisation to an organisation that is customer-centric, creative and collaborative.

INNOVATING NEW CUSTOMER EXPERIENCES WITHIN THE CX LAB

Our CX Lab in the Damansara City head office was launched in December 2018 and is a collaborative space in which cross-functional business, operations and technology teams as well as ecosystem value creators (e.g. FinTechs, startups & bigtech technology partners) can come together to create next generation digital human experiences in banking.

Central to its mission to help re-imagine banking and customer journeys, the CX Lab is a key enabler using design thinking, UI/UX tools, rapid prototyping and agile development to create new products and services. To reinforce our understanding of consumer behaviours, we have also strengthened our insights and research capabilities – including the ability of running quantitative and qualitative research studies at scale, leveraging market research and industry data, harnessing big data (e.g. customer transactional behaviours) as well as performing UI/UX usability tests. By having a deeper understanding of our customers, we are able to create propositions that are more relevant to our consumers' needs and wants.

In the last 12 months, we have worked with over 30 FinTechs/startups and interacted directly with over 3,500 customers to better understand their requirements, and used the insights gained to co-create solutions that reflect and meet their needs.

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KEEPING OUR FINGER ON THE PULSE OF CUSTOMER INTERACTIONS ACROSS THE LIFECYCLE

When it comes to transforming and improving the way we interact with our customers, we must be kept abreast of their entire banking journey and the corresponding experiences, as well as instituting fast and effective ways to monitor and react in real time.

Using a real-time survey platform, we continuously collect customer feedback across the bank to gauge the level of satisfaction on our service delivery. Today, we measure our customer experience across 25 touchpoints and product journeys. This includes branches, contact centres, self-service terminals, internet & mobile banking, as well as product application and usage experiences. With this platform, we are now able to measure our end-to-end customer journey, gauge their feedback in real time and close the loop quickly through proactive or reactive servicing. On an on-going basis, customer feedback is shared with the respective business managers to provide them insights as well as to help them focus on areas which require continuous improvements.

To further consolidate such customer feedback into useful and actionable information for the Bank, we have developed several real time customer experience digital dashboards for our management and on-the-ground teams to keep them informed of the state of our customer. The dashboards reflect how we are performing operationally as well as what customers are saying about us i.e. service level performance, product application turnaround times, and real time customer satisfaction results.

These dashboards are available as mobile apps or on the desktop and are powered by big data infrastructure such as Teradata and visual analytics tools such as Tableau. In addition, our social media team publishes a social media report daily to over 800 key personnel about our customers' sentiment for the day, further ensuring that feedback will be noticed and addressed in a timely manner.

With the dashboards, our business managers now have the ability to make timely strategic and tactical decisions on customer experience improvements on the go. As a result of this wider and effective visibility of customer experience that we now have, we have been consistently achieving a Customer Satisfaction Index target of 4.0 (over a 5-point scale) across our touchpoints and product experiences.

In the end, our customers determine our goals and define our strategies. In order to grow sustainably, we will work hard to ensure that our customers are consistently satisfied, not only with our products and services but also the manner in which it is delivered. Customers are our most influential brand ambassadors, and this anchors our commitment and will to continuously innovate and deliver amazing experiences for our customers.

Management Discussion & Analysis
Business Operation Review

8. HUMAN RESOURCES ("HR")

Can-You-Hack-It 24 Hour Hackathon

CREATING A FIT-FOR-FUTURE WORKFORCE THE DIGITAL WAY

As the Bank continues to gather momentum in its digital transformation journey, the way we recruit has evolved as we are no longer looking for conventional skillsets defined by degrees or roles. Today we value candidates who possess a set of digital competencies and entrepreneurial qualities to pipeline into the Bank's graduate employment programmes. We seek qualities such as intellectual curiosity, being a smart risk taker and a natural collaborator – qualities digital leaders should have, as outlined by Pierre Nanterme, the ex-chairman of global consulting firm, Accenture. These candidates have a customer-centric mindset, the intellect to re-imagine banking and the drive to make it happen – all necessary attributes for attaining success in the Bank.

In order to connect with these potential candidates, we have changed the way we recruit – by organising external hackathons, using Artificial Intelligence ("AI") to conduct primary screenings for interviews and working with universities and their students from the beginning of their degree courses.

As an example, the 'Can-You-Hack-It' 24 Hour Hackathon was organised in October 2018 and April 2019 in order to provide a suitable platform to assess digital talent face-to-face under a simulated realistic working environment. The external hackathons attracted more than 50 teams (over 150 people) for each event, indicating that the Bank has found an effective way to reach the intended talent pool. The annual hackathon events have led to the hiring of interns and permanent employees for the Digital & Innovation Office, Group Operations & Technology and the BCB Division.

In addition to the hackathons, the Bank leveraged on AI to conduct primary screening of potential candidates for the Management Associate ("MA") Programme with HALI, Hong Leong Bank's AI Chatbot. Candidate screening with HALI was piloted in September 2018 and April 2019. Candidates were sent an email directing them to a web page on their mobile Internet browser where they 'met' HALI and were guided through the screening process. Candidates then completed a problem statement via video or text which was assessed by HALI.

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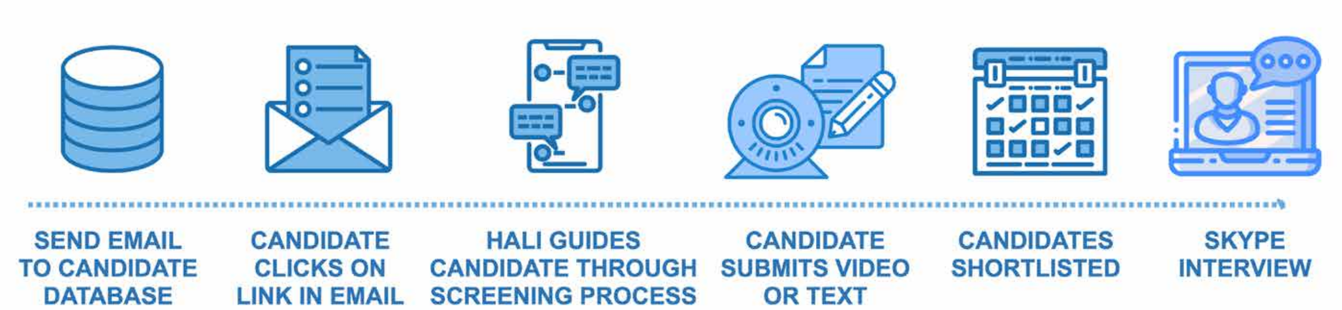
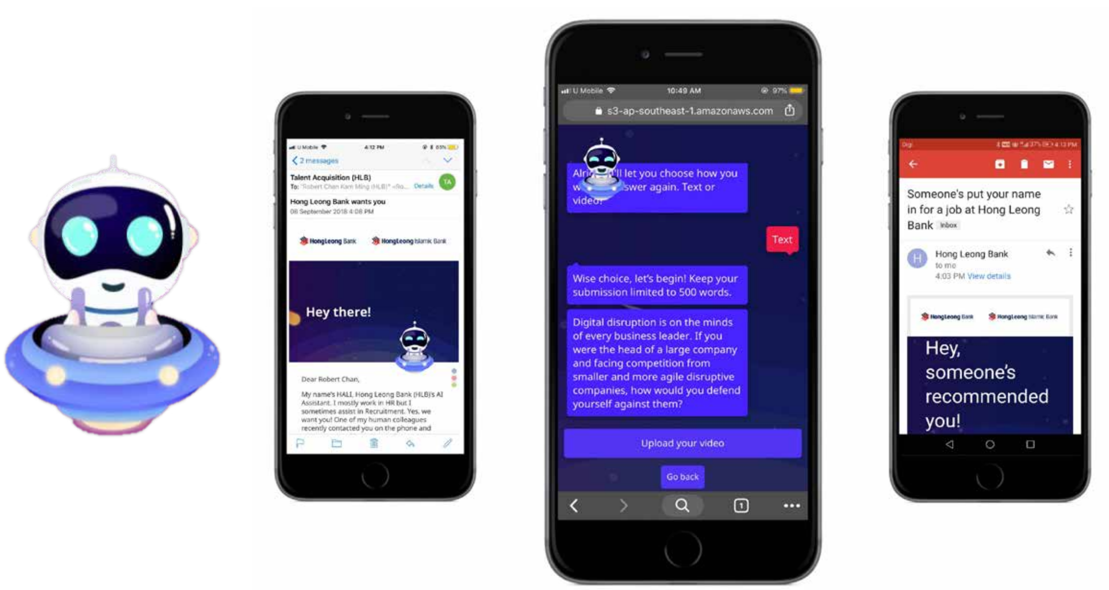


A Streamlined Candidate Screening Process with HALI Recruitment

The results of this initiative were impressive from both an accuracy and cost savings perspective. Recruiters saved 1,500 hours of time taken to screen candidates by phone[1] while HALI's algorithm achieved an accuracy of 75%, based on the predetermined scoring criteria with recruiters in areas of digital literacy, analytical thinking, sentiment and personality.



Primary Screening of Candidates with HALI Recruitment via Smartphone

We continued to invest resources to build our talent pipeline through working relationships with major local universities. Deeper collaborations with One Academy and INTI College, as an example, by providing nominated mentors from the Bank, have created a sustainable pipeline of interns from the universities' stream of Diploma and Degree students. Breaking away from the norm of recruiting only final year students as interns, we reached out to first and second-year students to participate in internship positions. This initiative has been envisioned as a long-term strategy to give students a positive and early experience of working at a bank, with the intention that HLB would be the first place they would consider embarking on their career after graduation. Over the course of the year, we expanded our talent brand presence through targeted career talks and participated in campus career days and job fairs, such as the Graduan Aspire Career Fair to advocate the Bank as an employer of choice.

[1] *Based on average phone screening time of 30 minutes, multiplied by the number of candidates – 3,048, divided by 60 to estimate the number of hours*

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To support the internship pipeline efforts, the Bank has implemented a structured internship programme for its respective business and support divisions, enabling students to gain invaluable skills to excel in a rapidly evolving technology landscape underpinned by Industry 4.0. These skills include cultivating a mindset to make things happen, taking ownership of tasks at hand in an ambiguous environment and developing digital and entrepreneurial qualities in an organisation that strives to be 'Digital at the Core'.

On the digital talent front, we moved to address industry challenges faced by digital candidates, such as the lack of relevant employment experience and on-the-job training. The Bank partnered with local universities and training partners to prepare fresh graduates to enter our IT Executive programme. The Bank provided extra-curricular courses and training for students in the final year of their local university course, with students who successfully complete the preparation courses being offered permanent positions in the Bank's Technology team.

Our MA Programme continues to focus on cultivating future leaders for the Bank by enabling candidates to develop fundamental and transferable skill sets with fast-track progression opportunities to management levels. The 21-month long programme has seen the batch of 15 graduates who started in 2017 successfully placed in eight divisions ranging from front to middle and back office roles. For 2018 and 2019, a total of 36 new graduates have or will join the MA Programme.

The Bank prides itself on its Graduate Trainee ("GT") Programme which ensures that young graduates go through structured learning and job rotations to equip them with knowledge, skills and hands-on experience that makes them a better fit for job requirements today and tomorrow. A total of 47 GTs who started in 2016, graduated in May 2018 and are now in permanent roles in PFS and BCB divisions. The 18-month programme has placed 124 young graduates in specific businesses and operations since its launch, and in 2019 we target to place 21 GTs into various divisions of the Bank.

Inti Students visit the HLB CX Lab

HLB continues to support graduate employability initiatives such as The Protégé (formerly known as Skim Latihan 1 Malaysia (SL1M)) Programme which has seen appreciable growth since we started participating. This Apprenticeship Programme aims to enhance employability among Malaysian graduates through structured training and exposure to the operations of the Bank. The apprenticeship focuses on elevating the apprentices' skills, knowledge and working experience, with the ultimate goal of absorbing them as employees at the end of the 8-month programme. The Bank has hired 17 Protégé interns hired in 2017 and 2018 respectively. For 2019, HLB doubled the number of interns hired over the past 2 years, employing a total 43 interns. As a result of this programme, the Bank identified 10 talents whom we have transitioned into permanent roles.

The Bank believes that every employee is an ambassador for the organisation and plays a key role in its talent branding efforts, which aims to build upon our reputation as a preferred employer of choice. Over the past year, we have mapped out a LinkedIn strategy to showcase our values, culture and life at work to explain to potential candidates our value proposition as an employer. Our LinkedIn page continues to gain momentum, both in the number of new followers and levels of engagement. Moving forward, we will showcase more of the Bank's digital transformation efforts through stories about our employees. Internally, the Bank has strengthened its branding efforts with the introduction of a digital format 'Welcome Booklet' for new employees to familiarise themselves with the organisation.

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Welcome Booklet for New Hires

With the success of our internal and external hackathons and awards in digital innovation, HLB is rapidly gaining a reputation as one of the most future-forward financial services providers in the country.

Recognition of the Bank's initiatives have come from across the spectrum and the region. At home, the Bank has been named as one of the "Top 5 Employer Brands" in the Banking category, as selected by universities nationwide, in the Graduates' Choice Awards (GCA) 2018. Our programmes continue to be recognised for their relevance and effectiveness, garnering a trio of highly coveted awards at the Human Resources Excellence Awards 2018. HLB was named the Gold award recipient for both "Human Resources Innovation" and "Innovative Use of Technology" award categories for innovations across core Human Resources functions. In the same awards ceremony, the Bank was named the Bronze award winner for "Workplace Wellbeing" for its efforts in engaging employees.

At the TalentCorp Life At Work 2018 Awards, we walked away with the "Best New Entrant" award in the Malaysian Organisation Category, in recognition of our commitment to enable our employees to achieve work-life integration. Regionally, the Bank beat out 11 other finalists to take home the Gold award for "Most Innovative Recruitment Strategy – In House" at the Asia Recruitment Awards 2019. These awards reflect the Bank's approach to reimagining banking, which touches not only the customers' journey but also improves employees' experience at the workplace.

INVESTING IN TALENT

The Bank encourages and supports our employees in their professional and personal development through various programmes. In this section, the discussion centres around the Bank's efforts in ensuring employees develop the highest standards of integrity, ethical behaviour and professionalism. There is also particular emphasis on embedding a culture of compliance to strengthen the long-term sustainability of the Bank.

BUILDING A SUSTAINABLE CULTURE OF COMPLIANCE

Embedding a culture of compliance requires a sustained effort and the Bank ensures employees are continually and consistently exposed to the length and breadth of compliance knowledge through various training, workshops and talks. We ensure that the knowledge learnt is retained by conducting assessments that require high passing marks.

For example, to ensure new employees are immediately aware of our strong culture of compliance, they will receive awareness training on the Bank's Code of Conduct and Ethics and Compliance as part of their 5-day on-boarding programme. This is supplemented with mandatory e-learning on SmartUp (the Bank's mobile and web-based micro-learning app for anytime, anywhere bite-sized learning) covering integral topics such as Anti-Money Laundering and Counter-Financing Terrorism, Customer Data Protection, Know Your Customer ("KYC"), Anti-Bribery and Corruption and more. Once completed, every employee is required to answer 20 questions on each topic and obtain a minimum score of 80% for each assessment. Step-by-step videos explaining these key topics are mandatory viewing for employees.

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For our existing employees, the Bank conducts role-based compliance training comprising awareness days, in-depth training and half-yearly briefings for various divisions including the Collection, Credit Department, Trade Centre, BUCO (Business Unit Compliance Officer) and BUCR (Business Unit Compliance Representative), branches and front line staff at PFS and BCB divisions. The training is customised for each division, with business specific case studies supported by business subject matter experts.

In addition to this, the Bank introduced a monthly compliance calendar. All managers are responsible for driving a weekly or monthly huddle with employees based on a structured and consistent framework provided to them. Compliance-themed brown bag sessions by external speakers are also available for employees to further expand their knowledge about compliance.

The Bank has also conducted Anti-Money Laundering awareness-training workshops focusing on risks, challenges and vulnerabilities for all levels of employees including the Board of Directors, senior management, BUCO, BUCR and Business General Managers, Branch Managers, Customer Service and Operations Managers and frontline employees.

On 1 April 2019, the Bank formalised the No Training, No Sales Policy to ensure that all new and existing PFS and PFS-Islamic front-line sales employees are equipped with the relevant product, compliance and soft skills training to ensure competency in their role. Assessments are provided in 3 languages – Bahasa Malaysia, English and Chinese – and employees are required to obtain a minimum score of 80%. Existing employees are required to undergo annual courses to refresh and update their knowledge on product offerings.

PROFESSIONALISING OUR PEOPLE

On-boarding

Our structured onboarding programme serves to rapidly immerse new employees into the Bank's culture and strategic direction. Over five days, employees will be integrated into their roles which will subsequently increase their engagement with our organisation and digital transformation agenda.

In addition to this, we partnered with the Asian Banking School to help raise standards throughout the Bank and the industry in general. Existing and new employees who are graduates and have less than two years working experience will attend the Introduction to Ethics in Banking programme which covers fundamental principles of ethical behavior in the context of banking. For new employees, the programme is incorporated into their onboarding journey, encompassing the following topics: General Orientation, Code of Conduct & Ethics, Compliance, Division Overview, Design Thinking, Introduction to Ethics in Banking and Fundamental Islamic Banking.

Specialised Certifications in Key Roles

To achieve and maintain standards of excellence, competencies and professionalism in critical functions within the Bank, we have put in place a plan to uplift the specialist knowledge of our employees. The four-year plan from 2017-2020 targets for 1,119 employees to earn certifications in Audit, Compliance, Credit and Risk Roles. To date, 184 employees have completed their respective certifications and the Bank is committed to ensuring 50% of our target is achieved by end-2020, and to fully complete this certification process by end-2022.

To further groom our future leaders and raise standards within the Bank, 48 HLB & HLISB employees from core banking functions registered for the prestigious Chartered Banker professional qualification. Four from this group of employees successfully obtained their Chartered Banker qualification during the year under review.

As we continue our digital transformation and build up our own internal capabilities to support it, our people are key enablers and need the requisite knowledge to help us on this journey. In that context, eight Digital and Innovation Office employees have been upskilled under the 'Train-the-Trainer' Programme to run design thinking labs to accelerate the way the Bank delivers new and innovative service and product offerings to customers. Design thinking places the customer experience at the forefront and these workshops have also been incorporated into role-based training for MAs and GTs, Project Management Office, Product and Digital divisions. Similarly, 20 Group Operations & Technology employees have completed the LEAN Six Sigma Programme to be part of the cohort which will focus on reducing process defects and wastage and are implementing its principles to positively impact projects bank wide.

DRIVING CULTURAL CHANGE

The Bank's key priority for its workforce is to ensure that employees possess a full understanding of regulatory requirements, take ownership, focus on strengthening team capabilities and have a growth mindset to innovate and enable the Bank to be sustainable and relevant for the long term. In order to achieve this, the Bank reached out to people managers nationwide through a series of dialogue sessions to understand how employees felt about the work, processes and culture and to share, discuss and align the Bank's key priorities with each people manager.

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Using the employee lifecycle as a guide, people managers were taken through the key actions they are required to carry out in order to build engaged teams, such as recruitment, on-boarding, performance management, coaching, retention and talent branding. After each session, people managers were empowered to put these discussions into actual practise, with a 'Driving the People Agenda' guide made available on SmartUp to help them navigate through the conversations they should be having with their teams.

The Driving The People Agenda with People Managers dialogue sessions were held in branches in Kuala Lumpur, Johor Bahru, Melaka, Negeri Sembilan, Penang, Ipoh, Kuching and Kota Kinabalu.

Driving The People Agenda With People Managers Dialogue Sessions

FUTURE-PROOFING THE WORKFORCE

The Bank has identified six digital competencies that are critical to future-proofing its workforce.

DIGITAL AWARENESS

Understanding application of new technologies to buseniss

- AI/Machine Learning
- Blockchain/Distributed Ledger Technology
- Cloud
- Internet of Things
- API
- DevOps

DATA DRIVEN DECISION MAKING

Understand how to apply data analytics to decision making, insights and problem solving

- Data Management
- Data Engineering
- Data Project Lifecycle

HUMAN-CENTERED DESIGN

Understand how to design products & services from a customer perspective

- Human-centered Design

AGILE

Apply agile principles to all aspects of business

- Agile
- Experimental Mindset
- Business Model Canvas

FUTURE COMMUNICATION

Engage customer effectively in the digital era

- Digital Marketing Framework
- Communication Platforms
- Content Generations Strategies

RISK & GOVERNANCE

Understand how to manage risks in a digitalised world of financial services

- Risk & Compliance
- Financial Crime
- Cybersecurity
- Digital Governance

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Through its digital roadmap, the Bank has moved to progressively introduce these six digital competencies through various platforms:

A) SMARTUP

Apart from traditional classroom offerings, SmartUp is a mobile and web-based micro-learning app for anytime, anywhere bite-sized learning for employees as part of their development framework;

B) DESIGN THINKING

Design thinking is an integral part of the training employees go through as it teaches employees to put customer experience at the forefront in anything we do. The Bank offers awareness level design thinking workshops for existing and new employees and to date, 519 new hires and 762 existing employees have attended the workshops. Additionally, role-based design thinking workshops are conducted for employees in various divisions such as the Project Management Office, Product and Digital divisions as well as MAs and GTs.

C) HACKATHON

The Can-You-Hack-It Employees' Edition internal hackathon provided a platform for our people to put into practice the skills they have acquired in design thinking workshops – by identifying problems or bottlenecks in their interactions with customers, and then ideating and prototyping solutions to resolve them. A total of 171 teams were formed with 222 ideas submitted to contribute to the Bank's digital transformation journey and drive our culture of innovation, all while creating more cohesive working relationships.

(L-R) Domenic Fuda with the Employees' Edition hackathon first prize winners, participants and judges of the Employees' Edition hackathon

HR DIGITALISATION JOURNEY

In June 2019, HR embarked on its Workday project to unify core HR functions including recruitment, performance management, talent management, compensation, learning and reporting into one integrated platform for the entire banking group in Malaysia and our regional teams. The mobile-first experience on Workday will drive cost efficiencies and a better user experience in Malaysia, Singapore, Cambodia, Vietnam, Hong Kong and China, where the Group has a presence. The implementation of Workday is targeted to be completed by January 2020.

Sustainability **Statement**

The contents of this Sustainability Statement present an overview of our sustainability approach, describing how we identify and manage economic, environmental, and social risks and opportunities as part of our business activities. Detailed disclosure is presented in our standalone Sustainability Report 2019, which provides a more comprehensive overview of the progress we have made to integrate sustainability into our business practices, products and services.

Our Sustainability Report 2019 covers the operations of Hong Leong Bank ("HLB" or "the Bank") and Hong Leong Islamic Bank ("HLISB") in Malaysia in the financial year from 1 July 2018 – 30 June 2019 ("FY2019"), unless otherwise stated. It has been prepared in accordance with the Global Reporting Initiative Standards ("GRI Standards") Core option and Bursa Malaysia Sustainability Reporting Guide (2nd Edition). It has been further guided by the Recommendations of the Task Force of Climate-related Disclosures ("TCFD") and the United Nations Sustainable Development Goals ("UN SDGs").

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

Sustainability Statement

SUSTAINABILITY THEMES

Our sustainability approach represents HLB's approach to integrating economic, environmental and social considerations into all that we do. This encompasses our range of business activities within the sphere of traditional and Islamic banking, as well as our internal operations and our impact on local communities and the environment at large. A fundamental value of the Hong Leong Banking Group is that we are 'Here for the Long Term'. In upholding this value, the Bank commits to delivering long-lasting sustainable solutions.

HLB Corporate Vision

"Highly digital and innovative financial services company"

HLB Mission

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

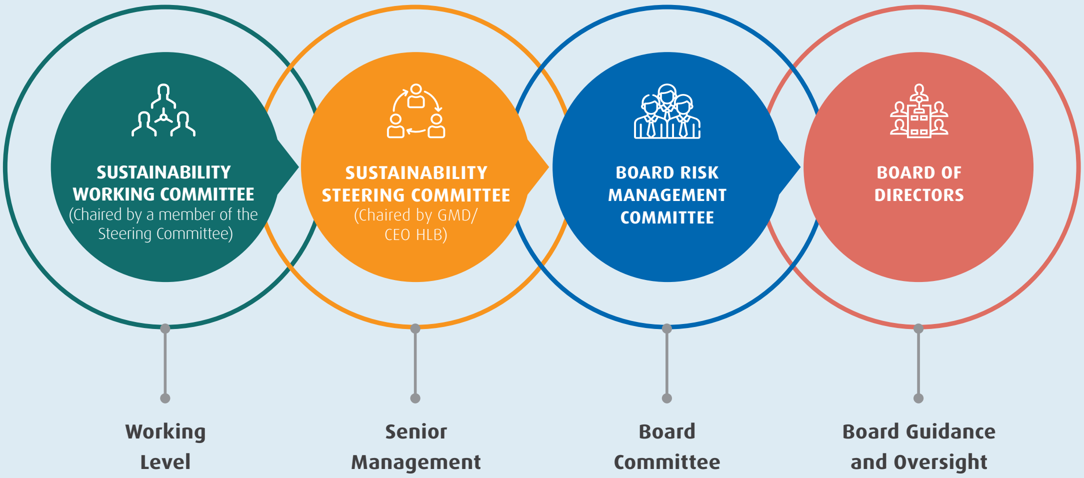
HLB Sustainability Themes	**Digital at the Core** Embracing digital transformation and building internal capability to enhance customer and employee experience, accessibility and efficiency.	**Fit-For-Future Workforce** Acquiring strategic skills to enhance critical and core capabilities. Hiring and retaining a high performing inclusive workforce fit for the digital era.	**Environmentally and Socially Responsible** Managing the environmental footprint of our operations. Advocating for social and environmental responsibility through our products and services, and through business partners, suppliers and associates that we do business with.	**SME Growth** Supporting the growth and capability development of SMEs through the provision of relevant tools, knowledge and banking products and services. Facilitating access to financing for underserved SMEs. Supporting the entrepreneurial spirit of start-ups and FinTechs to build a vibrant future business community.
Our Materiality Topics	• Digital Innovation • Customer Experience • Cyber Security and Data Privacy • Fair Banking	• Employee Experience • Ethics, Integrity and Compliance	• Responsible Lending/ Financing • Managing our Environmental Footprint • Supplier Assessment	• Community Banking

Sustainability Risk Management

HOW SUSTAINABILITY IS GOVERNED

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

HLB Sustainability Governance Chart FY2019



In FY2019, the Bank embedded Environmental Risk in the Risk Management Structure as depicted below:

Top Down
▼
Set Risk Appetite & Tolerance Limit
▼
Set Policies and Capital Allocation

Board of Directors

Effective stewardship and control

Board Risk Management Committee

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

Group Risk Management & Group Compliance

Monitoring and Reporting
▲
Bottom Up

Credit Risk	Market Risk	Operational Risk	Liquidity Risk	IT & Cyber Risk	Regulatory Compliance	Environmental Risk

Daily management of risk, limits, policies, procedures and reports

Environmental risk is actual or potential threat of adverse effects on living organisms and environment by effluents, emissions, wastes, resource depletion and other impacts arising out of an organisation's activities. In our case, given our role in the economy, in addition to our own activities, we are cognisant of the fact that people and companies we do business with also have an impact on the environment, and hence we ensure that our lending and procurement policies, for example, take this risk into account.

For other key risks, further information can be found under Corporate Governance Overview, Risk Management & Internal Control Statement.

Sustainability Statement

OUR SUSTAINABILITY APPROACH

Our sustainability strategy represents HLB's approach to integrating economic, environmental and social considerations into all that we do. This encompasses our range of business activities within the sphere of traditional and Islamic banking, as well as our internal operations and our impact on local communities and the environment at large. One of our guiding principles under this approach is HLB's promise to be "here for the long term" and our commitment to delivering long-lasting sustainable solutions and value creation.

Our approach to sustainability is anchored in our ability to build deeper and meaningful relationships with our stakeholders. By analysing our impacts as a solution provider, we are able to holistically manage the economic, environmental, and social contexts in which we operate. Beyond that, we are able to support the growth and success of our stakeholders through our products and services.

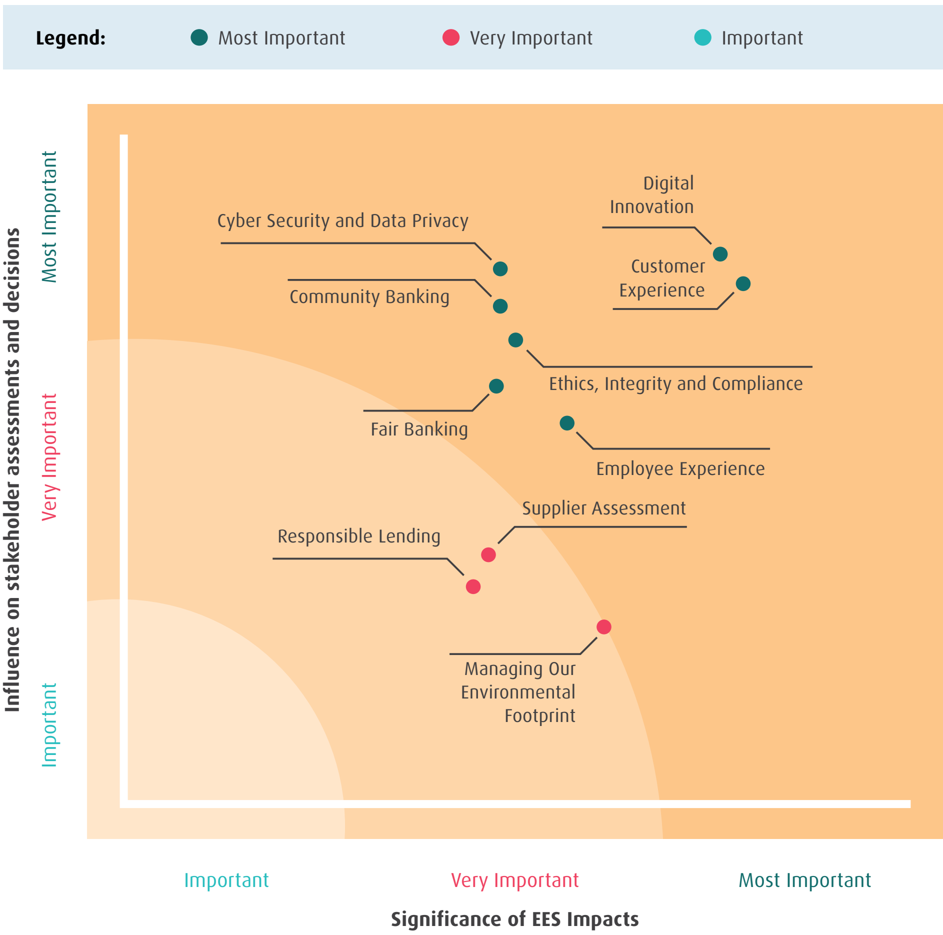
OUR MATERIAL SUSTAINABLE TOPICS

In FY2019, our sustainability approach was guided by the materiality matrix established by the Bank in the previous year. This matrix maps out the relative importance of ten material business topics according to the Bank's business priorities and information provided by customers, employees, suppliers and community development partners. By analysing the interests of both internal and external stakeholders, our materiality process aims to facilitate the development of a strategy for long-term value creation which aligns with the needs of each group.

OUR MATERIAL MATRIX

Sustainability Topics Identified

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



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

Sustainability Statement

HLB Sustainability Themes	Material Topic	GRI Topic	Topic Boundary	Description
Environmentally and Socially Responsible	**Responsible Lending/ Financing**	Product Portfolio	HLB, HLISB and Customers	We have policies, principles and codes of conduct to ensure the interests of HLB are aligned with the interests of existing and potential customers. These include audits to assess and screen for environmental and social risks, financial health assessments of existing and potential customers, and the provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system.
	Managing Our Environmental Footprint	Materials, Energy, Emissions	HLB and HLISB	We endeavour to reduce waste (such as paper and water) and use energy efficiently to reduce our greenhouse gas ("GHG") emissions and carbon footprint at all levels of our operations.
	Supplier Assessment	-	HLB, HLISB and Suppliers	We have an Independent Tender Review Committee that assess diligence reviews of suppliers' financial strength and performance, disaster recovery and business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices, whilst also meeting our environmental assessment requirements before we onboard them as business partners.
SME Growth	**Community Banking**	Local Communities	HLB, HLISB and Hong Leong Foundation	We seek to engage and to help local communities develop their SME ecosystem via programmes that have been designed to meet their specific needs.

HLB Material Topics' relevance to the United Nation's Sustainable Development Goals ("UN SDGs")

At HLB, we are mindful of global sustainability frameworks and agendas and recognise our responsibility to contextualise our material topics in relation to these frameworks. Of the 17 UN SDGs, we have identified 8 of the goals that we are able to positively contribute to.

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

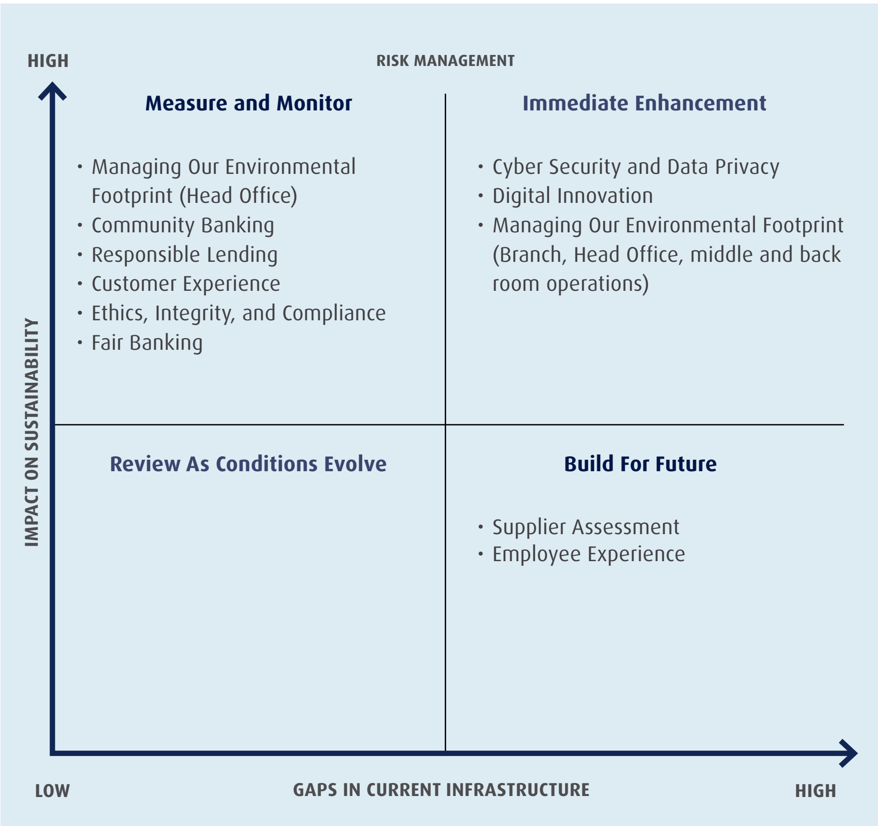
SUSTAINABILITY RISK MANAGEMENT

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

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

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

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



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

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

Review as Conditions Evolve
Quadrant indicates topics that have low gaps in current infrastructure and a low impact on sustainability. This means that the topics will be reviewed annually or as conditions evolve.

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

Sustainability Statement

Measure, monitor and review

HLB Sustainability Themes	Sustainability Topics
Digital at the core	• Customer Experience • Ethics, Integrity and Compliance
Fit-For-Future workforce	• Ethics, Integrity and Compliance
Environmentally and socially responsible	• Managing Our Environmental Footprint (Head Office) • Responsible Lending • Fair Banking • Community Banking
SME growth	• Community Banking

Actionable Areas

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

The Bank has allocated resources in these areas and will regularly measure and monitor outcomes.

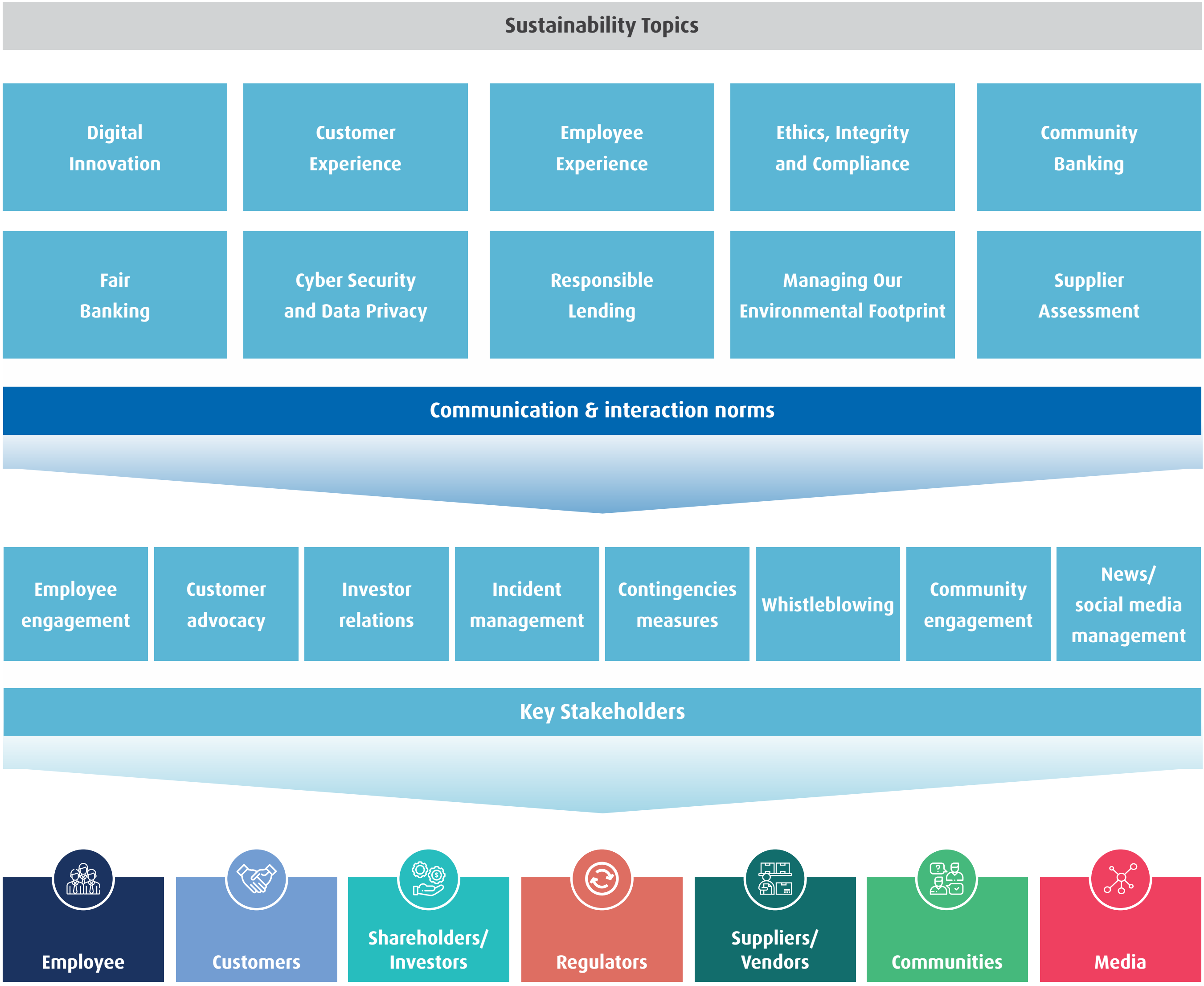
KEY SUSTAINABILITY INITIATIVES IMPLEMENTATION IN FY2019

The Bank has implemented various initiatives to continuously embed sustainability practices and enhance risk management. Some of the key initiatives include:

- Enhanced policies to embed sustainability risk management. This include the Bank's credit policy to require sales and credit staff to review the borrowers' compliance with applicable environmental and social laws and review of the same at annual reviews of loan/financing facilities to ensure ongoing compliance;
- Implemented supplier attestation to uphold the Bank's sustainability values;
- Monitored energy, emissions and water consumption in our two main corporate towers, Menara Hong Leong and PJ City;
- Monitored all waste generated in Menara Hong Leong and PJ City;
- Reduced bank-wide printing and paper consumption;
- Recruited a renewable energy industry specialist to focus on building internal knowledge to boost our capacity for renewable energy financing;
- Developed a renewable energy industry handbook for BCB front line staff to equip them with the knowledge to better serve industry stakeholders; and
- Conducted regular employee education and awareness programmes to promote waste reduction and separation of recyclable waste streams at Menara Hong Leong.

STAKEHOLDER ENGAGEMENT

To enhance our growth as an organisation, we need to be open to dialogue and engagement. This is because stakeholder needs are constantly evolving. We have in place structured channels of engagement at HLB and continue to explore new ways of reaching out to stakeholders.



Sustainability Statement

Stakeholder	Engagement Method	Frequency of Engagement	Interests
Employees	Bank-wide Town Hall sessions	Minimum twice yearly	Our employees want to know that their concerns are being heard by management. They also voice interest in the availability of opportunities for upskilling and programmes for employee retention, as well as a systematic rewards programme.
	Group Managing Director Bankwide communications	Ongoing	
	Social media and career fairs	Ongoing	
	Performance management process	Goal setting, mid-year review and final year appraisal, supported by Individual Development Plan discussion	
	Learning and Development initiatives	Ongoing	
	Scholarship programme	Ongoing as per request	
	Graduate programmes	Based on business unit requirements	
	SmartUp bite-size learning	24/7	
	HALI helpdesk chatbot	24/7	
	Employee engagement survey, themed My Thoughts, Our Future ("MTOF")	Annually	
	Apple e-Touch appreciation platform	Annual Apple-ciation Day Quarterly-basis for Apple e-Touch programme	
	HLB Games	Ongoing	
	Whistleblowing channel	Contact information published on HLB's website as and when channeled by whistleblower to the Bank	
Customers	At our branches	Daily	Our customers are interested in the protection of their personal data and the banking principles that are upheld by the Bank. They also prioritise user-friendly systems and easily accessible banking products and services.
	Self-Service Terminals	24/7	
	Internet and mobile banking	24/7	
	Customer surveys	Daily	
	Telephone and email	24/7	
	Social media (e.g. HLB Facebook, Twitter, LinkedIn, YouTube)	24/7	
	Customer events organised by HLB	Multiple engagements a year, including festive season celebrations	
	Whistleblowing channel	Contact information published on HLB's website as and when channeled by whistleblower to the Bank	

Stakeholder	Engagement Method	Frequency of Engagement	Interests
Investors	Annual General Meetings ("AGMs")	Annually	Our investors want to know about the stability of the Bank and the security of savings and deposits. They are also interested in the enhancement of stakeholders' value.
	Investor roadshows	At least 2 conferences a year	
	Meetings with investors and analysts	At least 120 investors and analysts in a year	
Regulators	Bank Negara Malaysia ("BNM")	As and when required	Industry regulators seek to ensure that the Bank is fully compliant with relevant laws and regulations. This includes meeting the expectations and requirements of banking regulators and compliance with Shariah requirements where applicable.
	Bursa Malaysia	As and when required	
	Perbadanan Insurans Deposit Malaysia ("PIDM")	Yearly engagement	
	Securities Commission ("SC")	As and when required	
	Federation of Investment Managers Malaysia ("FIMM")	As and when required	
	Personal Data Protection Act ("PDPA") Commissioner	As and when required	
	Ombudsman for Financial Services ("OFS")	As and when required	
Suppliers	Supplier engagement rating process	Minimum once yearly	Our suppliers and outsourcing service providers seek transparency in HLB's procurement process and want to ensure that they are fulfilling the Bank's "service level agreement".
	e-Bidding (live auction)	Monthly	
	Tender process	Monthly	
	Proof of Concept engagements	Based on project. Ongoing	
	Supplier onboarding programme	Ongoing	
	Supplier due diligence review	Annually	
	Outsourcing Service Provider onboarding programme	Ongoing	
	Outsourcing Service Provider due diligence review	Annually	
	Supplier and vendor whistleblowing channel	Contact information published on HLB's website as and when channeled by whistleblower to the Bank	

Sustainability Statement

Stakeholder	Engagement Method	Frequency of Engagement	Interests
Community	SME segment engagement programmes	Ongoing through various activities, relationship manager, regional and national managers	Community members are interested in the availability and accessibility of funds and programmes for those in need.
	Corporate Social Responsibility events	Monthly	
	Hong Leong Foundation's programmes	Monthly	
Media	Press conferences	Financial results: 2 times a year Products/Services: As and when required CSR: Minimum 2 times a year	Media groups require adequate communication platforms and expect to see proactive media engagement from the Bank.
	Media get-togethers	Minimum 2 engagements a year	
	Media announcements	Ongoing basis	
	Social media	Daily communication	

Stakeholder Engagement Highlights

As one of our key communication platforms and a significant stakeholder group, the media play a central role in the Bank's communication and engagement strategy. We practice an open-door approach to relations with local media and maintain close ties with key players within the industry to facilitate the dispersal of information about our business. Through press conferences, media get-togethers, announcements and social media platforms, we communicate updates regarding different aspects of our business operations, from workplace updates to new products and services.

In FY2019, we introduced a Public Relations Policy ("PR Policy") to govern communication with this important stakeholder group. The PR Policy, which is applicable to all HLB employees, provides essential guidance on matters relating to communication and interaction with the media, taking into consideration the interests of customers, the company and the public in terms of fairness and responsible communication. Guided by the PR Policy, HLB hopes to ensure the continuation of our strong and meaningful relations with the media.

Financial Brand Power 100's quarterly score publications of the highest scoring banks in relation to the Social Media performance (Facebook likes, Twitter followers, YouTube views). HLB has not only enhanced its social media presence through an engaging YouTube presence but also continues to use social media as a platform to educate the community on our products and services.

GOOD BUSINESS CONDUCT

A culture of ethics and good conduct is fundamental to the growth of the organisation. We have incorporated various policies, processes and systems to ensure an enhanced culture of good conduct at HLB. Underlying our efforts is a clear tone from the top, right from our Board of Directors to senior management with regards to good business conduct.

CORPORATE GOVERNANCE

Sound leadership is an essential component of any business sustainability strategy. At HLB, our experienced Board of Directors provides strong leadership and independent oversight in line with best practices for corporate governance. Along with our management team, the Board plays an important role in overseeing the implementation of the Bank's stringent principles and policies for responsible business conduct. These include policies and procedures related to whistleblowing, anti-money laundering, anti-bribery and corruption and ethical conduct, among others. Policies are frequently reviewed and updated to ensure that we continue to meet best practice standards.

ETHICS AND INTEGRITY

We hold ourselves to the highest standards of professional conduct. Our Code of Conduct and Ethics outlines expected standards of behaviour for all HLB employees. The Code of Conduct and Ethics applies to all Bank employees, subsidiaries and affiliates of HLB's vendors and business partners. In order to ensure employees' adherence to the Code of Conduct and Ethics, new employees are provided with awareness training on its contents during their on-boarding programme. Effective 2020, the Board of Directors will provide annual attestation to the Code of Conduct and Ethics.

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

COMPETENCE

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

INTEGRITY

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

FAIRNESS

A core mission of the Banking Group is to help our clients succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders.

CONFIDENTIALITY

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

OBJECTIVITY

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

ENVIRONMENT

The Banking Group is committed to reducing the effect of our operations on the environment to build our franchise in a safe and healthy environment. We aim to do this by managing resources across the Banking Group and raising staff awareness about the importance of caring for the environment. The Banking Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

Value-based Intermediary Initiative for Islamic Banking

At HLISB, we are increasingly integrating a Value-based Intermediation ("VBI") approach into our business practices and the financial products and services that we offer. This is done in accordance with the VBI Framework issued by Bank Negara Malaysia in 2017, and these efforts include the provision of greater access to financial services. Examples of this approach include our Islamic chat bot, which we have pioneered to promote public knowledge-sharing for Islamic finance. We continue to operate additional channels for the enhancement of Islamic financial literacy and financial services, with the goal of supporting a robust and sustainable Islamic banking system in Malaysia.

Sustainability Statement

RESPONSIBLE BANKING

The Bank makes every effort to be fully compliant with all applicable laws, regulations and standards in each of the jurisdictions in which we operate, namely Malaysia, Singapore, Hong Kong, Cambodia, Vietnam and China. Our Group Compliance Policy serves as a guide for ensuring uniformity in understanding the roles, responsibilities, processes and practices related to compliance within the Bank.

PROMOTING A CULTURE OF COMPLIANCE

"A strategic priority for us is to promote understanding among our organisation and business partners of our internal policies and the external regulations we adhere to. This fosters transparency and awareness and, in doing so, builds a strong compliance culture."

Domenic Fuda, Group Managing Director

We ensure adherence to the highest standards of integrity and professionalism by providing employees with regular compliance training. Our efforts include training that is delivered bank-wide, via our digital learning app, as well as role-based training based on specific risks associated with individual positions.

Training is customised for each division and supported by business subject matter experts. In FY2019, HLB established a 'No Training, No Sales Policy' to ensure that all new and existing personal financial services front-line sales employees are equipped with the necessary product and compliance knowledge to ensure competency in their role. We also conducted AML awareness-training workshops for the Board of Directors and senior management and Business General Managers, Branch Managers, Customer Service and Operations Managers and front-line employees. For the year, a total of 8,463 employees received blended training (Brown Bag Series Lunch & Learn, e-learning compliance modules and compliance huddles and classroom trainings).

WHISTLEBLOWING POLICY

In order to safeguard the integrity of the Bank's operations, we encourage all employees, business associates and customers to raise any concerns about improper conduct at the earliest opportunity. Our Whistleblowing Policy outlines the channels available for doing so as well as the procedures to be followed by the Bank in addressing such concerns. If a report of non-compliance or improper conduct is received, specified officers will independently investigate the concerns.

DIGITAL AT THE CORE

We seek to find opportunities in challenges and develop innovative ways to meet customer expectations while continuously enhancing our internal capabilities and the accessibility of our products for the delivery of an ever-improving customer experience.

As we progress along our digital journey, HLB strives to serve not just as a financial services provider, but as a trusted partner for our customers and business partners. We aim to drive the creation of a financially empowered society, in which those who are presently underserved gain easy and reliable access to financial services through improved financial literacy and convenient digital platforms. Ultimately, we hope to support a new generation of more informed customers with better access to the digital products, reliable services and sophisticated financial guidance that they need.

Our investments in our 'Digital at the Core' business strategy have already paid dividends, with new digitisation initiatives introduced within the financial year yielding total cost savings of approximately RM55 million, equivalent to a cost reduction of 2.6% over total cost base.

Digitisation Initiatives

Digitisation to Simplify Workflow

Digitisation to Lower Purchasing Cost

Resulted in a 2.6% reduction over total cost base in FY2019

Sustainability Statement

DIGITAL AT THE CORE (CONTINUED)

Digital Highlights in FY2019

81%
of total transactions completed digitally

53%
increase in mobile transactions

36%
reduction in physical branch transactions

DIGITAL ENHANCEMENTS

Several digital enhancements were executed to make transactions easier for customers, including the use of Robotics Process Automation ("RPA") to automate 23 card operations processes and the introduction of RPA to 3 cheque processing centres, with full implementation to be completed by October 2019. We also continued to implement Artificial Intelligence ("AI") for the automation of repetitive tasks in order to increase productivity and efficiency in operations.

In total, 36 major digitally derived projects were delivered during the reporting period, with another 49 still under execution. Beyond our Malaysian operations, there were strong efforts to strengthen the Bank's digital footprint across our international offices and branches in Cambodia, Vietnam and Singapore. We also invested in compliance initiatives to ensure the protection of our customers and our business. In doing so, we remain focused on maintaining robust cyber security capabilities to safeguard customer data, privacy and security.

DIGITISATION OF THE CUSTOMER EXPERIENCE

With more than half of our customers presently utilising our digital banking services, both the number and value of digital transactions completed by our customers continue to rise.

At HLB, we are also ushering in a new era for brick-and-mortar banking with our Digital Branches. Designed to improve efficiency and enhance the customer experience, the branches leverage new technology to depart from conventional methods of in-branch service delivery.

In FY2019, we opened our second Digital Branch in Penang, based on the concept implemented at our flagship Digital Branch in Damansara City, Kuala Lumpur. We also continue to roll-out digital solutions to branches around Malaysia, such as our enhanced tablet-based teller solutions with biometric authentication capabilities and efficient application and servicing. To date, all retail-based service functions can be completed via the iPads, which we are on track to implement across 140 branches by the end of 2019.

Digital Branch **Customer Journey**

Customer walks in

Upon entering the branch, account holders and new customers are greeted by our ROBOT named Nao.

During consultation with branch Personal Financial Consultants

Tellers equipped with an app-enabled digital tablet help customers complete their banking transactions immediately, without the need to queue. The seamless customer journey is further enabled by biometric capabilities within the tablets which easily pull up biometric data for efficient verification. The process is streamlined and made paper free through the digital approach.

Teller-Assisted Units

Teller Assisted Units for accepting, recycling and dispensing notes are now placed in open areas rather than behind banking counters, as was traditionally done. This allows for more transparent and secure management of cash deposits and withdrawals.

Tellers

With digital solutions automating mundane data-entry and processing tasks, employees' roles are reconfigured to include more engaging and customer-facing responsibilities.

General Digital Branch Space

A suite of digital banking capabilities such as wireless terminals and applications, allow customers to quickly perform banking transactions.

Innovation aside, achieving success in the integration of banking services and digital technologies requires careful consideration of our customers' experience with the banking solutions that the Bank offers. As customers increasingly transition towards the use of our digital banking products and services, we ensure that these offerings are focused on delivering an optimal customer experience. In FY2019, our HL Connect App Satisfaction score, measured by customers who had chosen 'Satisfied' or 'Very Satisfied' was an 84% satisfaction rate.

Sustainability Statement

DIGITAL AT THE CORE (CONTINUED)

TOWARDS A CASHLESS SOCIETY

At HLB, we leverage financial technology to promote cashless transactions to our customers through credit or debit card usage, mobile payment methods and online banking. We also continue to focus on expanding our merchant network by seeking out business owners and offering incentives such as low transaction rates, waived desktop terminal rental fees and complimentary set-up services.

To celebrate a cashless future, and promote cash-free lifestyles among our customers, our 3rd Annual Digital Day in 2019 was themed 'Bye-bye Cash, No Cash, No Problem'. During the event, customers were encouraged to go cashless through light-hearted campaign videos and the opportunity to win exciting prizes.

ENHANCING CYBER SECURITY AND DATA PRIVACY

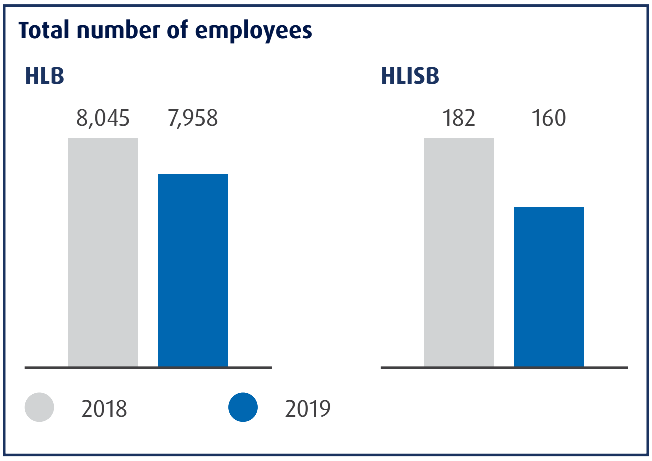
In order to drive business success while protecting our customers from online malice, we continue to invest in our digital defence infrastructure while simultaneously educating our clients on fraud and other digital risks. We are involved with national and international early warning systems for cyber security risks, including the Financial Services – Information Sharing and Analysis Centre and Recorded Future.

To govern the secure receipt, storage and protection of customers' private and sensitive information in compliance with the Personal Data Protection Act (2010) ("PDPA"), the Bank has established a Group Data Protection and Customer Secrecy Policy.

While we invest heavily in our digital and technological systems for cyber security, we are conscious that customers and employees remain a major point of risk for data loss. Stakeholders are informed about the Bank's handling of the confidential personal information entrusted to us by our customers, employees and business partners, via the Bank's Privacy Notice. The Privacy Notice, which is available in both English and Bahasa, serves to help these individuals understand how the Bank handles their personal information and what rights and protection they are entitled to as a data owner.

By improving human awareness of cyber security measures and practices, we are able to strengthen the front line of defence against cyber-attacks and scams. We strive to fortify this human infrastructure by building a data security culture in which customers and employees have sufficient knowledge to protect themselves and the Bank from risk.

FIT-FOR-FUTURE WORKFORCE



Our aim is to create a best-in-class workforce that is resilient, adaptable and equipped to provide the highest level of service in a digital age. We seek to attract, develop and retain individuals who will diversify our thinking, develop new ideas and demonstrate the skills needed to address future business challenges. For more details of our workforce strategy, please refer to the *Human Resources Management Discussion and Analysis* within this 2019 Annual Report and the *Fit-For-Future Workforce* chapter in our *Sustainability Report 2019*.

TALENT ACQUISITION AND DEVELOPMENT

We operate a comprehensive talent acquisition programme to drive business success within the Bank, including graduate and intern recruitment schemes and executive and management programmes. In FY2019, we had our two innovative recruitment channels: our 24-hour hackathon events and an Artificial Intelligence-enabled digital screening strategy. These build upon our existing Information Technology Executive Programme, Management Associates Programme, Graduate Trainee Programme, PROTÉGÉ Programme and Internship Programme for recruiting promising young talent.

To ensure that our employees remain competitive within the industry, we focus on the continuous development of their skills, experience and knowledge. This is done through general training delivered across the bank, such as our comprehensive onboarding programme, as well as tailored, role-specific programmes and technical accreditation programmes to enhance individuals' specific capacities. We implement a 70:20:10 Learning Framework whereby 70% of learning occurs through on-the-job learning, 20% occurs through learning from others and 10% occurs through formal training.

A key component of our competency-building strategy is SmartUp, a mobile and web-based micro learning app, which delivers fun, bite-sized learning content to HLB and HLISB's workforce on the go. The content, which has been crafted by internal and external subject matter experts, is easily digestible, eye-catching and available anytime, anywhere. It includes e-learning programmes, reading materials and assessments which must be completed within 60 days from programme initiation, participation and completion, which can be tracked across the Bank.

"Can-You-Hack-It?" Hackathons

During the year, HLB ran two 24-hour hackathons for the public in October 2018 and April 2019 to identify potential talents and source digital solutions to real problems faced by the Bank. Each of these events saw more than 50 teams compete to develop digital prototypes for challenges posed by HLB based on real business scenarios, with Google and Rakuten coming onboard as partners for the April 2019 hackathon. The two events combined received a total of 461 participants and generated more than 90 innovative ideas in areas such as eWallets, digital onboarding, financial literacy and more.

Building on the momentum from the public hackathons, an employee hackathon was held in June 2019 and the event saw 171 teams submitting 222 ideas.

The hackathons were well received by participants, evidenced by positive feedback on HLB's guidance and active engagement during the events. Participants welcomed the opportunities for sharing knowledge across different skill levels and expertise and as one participant described it, the event was 'an upgrade to the Malaysian hackathon scene'.

HLB is currently working with winning teams from both the public and employee hackathons to bring their ideas to life at our CX Lab and a number of high-potential individuals identified during the public hackathon have already been recruited into the Bank.

Sustainability Statement

FIT-FOR-FUTURE WORKFORCE (CONTINUED)

Brown Bag 'Lunch & Learn' Series

To encourage employees to upskill themselves within a flexible learning environment, we continued to drive the Brown Bag 'Lunch & Learn' Series in FY2019. These sessions focus on topics related to the Bank's sustainability themes, covering topics from wellness to social responsibility and Industry 4.0 technology. As of 18 June 2019, the attendance rate by employees to all 11 Brown Bag 'Lunch & Learn' Series amounted to 1,891 since the programme's introduction. In alignment to our business priorities, we also leveraged this format to deliver compliance-themed talks at HLB's branches, such as Fair Banking for Customers, which was held at HLB's branches in 11 states.

NURTURING A CULTURE OF HIGH PERFORMANCE

At HLB, we are committed to nurturing a high performance culture. Our focus is on ensuring that we add value in our dealings with all stakeholders, whether they are customers or employees, while adhering to the highest standards of personal and professional integrity. A key example of this is the enrolment of our employees in design thinking workshops to upskill them. These new skillsets were then put into practice with the employees' edition hackathon that was held in June 2019. Further information on our commitment to ethical conduct and regulatory compliance, including the training provided to employees on these topics, can be found in our Sustainability Report 2019.

Our Code of Conduct and Ethics guides the establishment of a safe and inclusive workplace, strictly prohibiting discrimination of any kind.

As of December 2018, we had 7 full-time employees who identify as differently abled.

CARING FOR OUR TEAM

We take a comprehensive approach to caring for our workforce and support their wellbeing across multiple areas, including mental, physical, personal and financial. We promote open and regular communication with our employees through a number of channels, including our newly launched HLB Workplace and Workchat platforms, launched in FY2019. We also conduct regular employee engagement surveys and in response to survey feedback of FY2018, we established Engagement Champions across our international network in FY2019 to promote employee participation in engagement activities. In FY2019, our employee engagement survey had a 91% response rate.

We have in place Occupational Health and Safety Procedures to provide practical advice and controls for all workplaces in accordance with relevant standards. As part of our onboarding programme, employees are introduced to HLB's health and safety systems, processes and practices and trained in the identification and control of risks. In FY2019, we revised the boundary for our health and safety programme metrics to focus exclusively on those incidents that are directly related to factors under our control. Under this scope, we recorded 5 workplace accidents and a total of 109 workdays lost due to accidents.

ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

OUR ENVIRONMENTAL FOOTPRINT

At HLB, a commitment to reducing our environmental impact is part and parcel of our future-focused business strategy. Our digital transformation is a key driving force behind this, reducing our reliance on material resources through our transition to resource-efficient and energy-efficient alternatives. For more details of our environmental progress, please refer to the *Environmentally and Socially Responsible chapter of our Sustainability Report 2019.*

In order to monitor our progress and to establish meaningful goals and targets, we monitor our consumption of several key metrics. At our two main corporate towers, PJ City and Menara Hong Leong, we track our electricity consumption with the goal of achieving a 5% reduction in electricity consumption in PJ City Tower by 2020 compared to 2017 baseline levels. We also track our water consumption in both towers, as well as the fuel consumed by our company-owned vehicles.

We have undertaken several measures to reduce paper use by customers and our internal bank operations. These include reducing the distribution of passbooks, fixed deposit certificates and cheques issued as well as promoting e-payment solutions. Internally, we continue to use 100% recycled paper for letterhead material and 100% FSC certified paper for our copier machines and computer forms.

77%
reduction in accounts opened with passbook since July 2018

21%
reduction in cheques issued in 2019

Increased
64%
conversion from paper statements to e-statements as at FY2019 end

As at FY2019 end, we saved
41.7
metric tonnes of paper

Hong Leong Group's iconic corporate office space, Menara Hong Leong, is a symbol of the Group's commitment to driving environmental sustainability. The building was awarded a Green Building Index Silver rating in FY2019 and is fitted with the latest innovations in construction technology to provide a range of green and sustainable features.

SUPPLIER ASSESSMENTS

At HLB, we hold our suppliers to the same standards of sustainability practices in our business operations. Suppliers and vendors are expected to uphold the HLB sustainable values through self-declaration of their environmental and social responsibility during the screening process. Our whistleblowing policy is also incorporated in all procurement and purchase orders as well as in the onboarding vendor profile form, to ensure that it is always available to suppliers.

Sustainability Statement

ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE (CONTINUED)

RESPONSIBLE LENDING AND FINANCING

As a responsible financial institution, HLB considers the protection and healthy growth of our nation and communities throughout all stages of our banking operations. This includes who we choose to lend to as well as how our operations in areas like procurement and marketing reflect a socially and environmentally responsible culture. Due diligence activities that we practice include site visits, environmental record assessments and third-party reviews of potentially harmful business proposals. We also ensure that all employees are cognisant of responsible banking practices decisions by requiring that all employees are aware of and compliant with all relevant regulations.

Our Business and Corporate Banking Credit Policy ("BCB Credit Policy"), which governs the credit risk function of the Bank for corporate and commercial loans and financing, aims to build a healthy and cohesive credit culture.

To manage environmental risks within our financing activities, we have established an Environmental Sustainability Risk set of policies in the BCB Credit Policy. These encompass risks posed to the physical environment as well as social risks related to people and communities. Credit applications by businesses which present sustainability risks are assessed based on the business' ability to demonstrate full compliance to rules and regulatory requirements of that business sector.

To further ensure the sustainability of our operations and avoid reputational risk, the Bank has classified the sectors within specific industries into low, medium and high-risk categories for the purpose of providing direction to lending personnel in their marketing efforts. The classification also enables the Bank to maintain its desired sectoral lending proportions for each industry sector.

GREEN FINANCING

Climate change is fundamentally altering the risks that businesses and the financial sector face throughout the world. To better support the renewable energy business community, in FY2019, HLB recruited a renewable energy industry specialist and developed an industry handbook for front-line staff engaging with prospective clients to propel the Bank's investments into climate-positive financing. The handbook includes an overview of the industry, renewable energy mix and development, incentive programmes and general financing requirements to equip staff with the knowledge to better serve industry stakeholders. This handbook will be updated periodically to reflect latest trends and solutions.

In line with the national agenda to accelerate the growth of Malaysia's green technology industry, HLB supports the country's Green Technology Financing scheme ("GTFS"). Up to FY2019 year-end, we have approved close to RM 85 million of financing under GTFS to support local companies' and entrepreneurs' green technology-based projects. Our financing has focused on projects involved in the production of green energy, including energy derived from Solar Photovoltaic, Biomass and Biogas sources. The Bank will continue to participate in GTFS and aims to develop its human capital for greater engagement with stakeholders to further grow this sector.

FAIR BANKING

We are committed to ensuring that our operations are fully compliant with relevant regulations. This includes Bank Negara Malaysia's Principles for Fair and Effective Financial Market, Guidelines on Prohibited Business Conduct, Guidelines on Product Transparency and Disclosure, and Guidelines on Responsible Financing. All new products and product variations, including those developed by our subsidiary companies, are assessed by a Product Evaluation and Approval Committee, which evaluates all products against relevant regulatory requirements, associated risks and the Bank's responsibilities to customers.

RESPONSIBLE MARKETING

It is fundamental that customers can depend on the integrity of the advice that they receive and trust that the Bank is acting in their best interest. In order to protect consumers from misleading advertisements and unfair consequences, all advertising and promotional materials comply with applicable rules, regulations and guidelines issued by Bank Negara Malaysia and other regulatory authorities. We have in place internal policies, including Standard Operating Procedures ("SOPs") for Marking and Product Management which all business units and departments must adhere to. The SOPs are reviewed and updated regularly to ensure that our business practices keep pace with new product development and regulatory changes.

HLB JUMPSTART

Our flagship CSR programme, HLB JumpStart, was launched in September 2018 to support social enterprises by empowering them with the knowledge, skills and tools needed to succeed. Under JumpStart, we partner with knowledge specialists in the fields of finance, branding and advertising, design and volunteerism to improve the ability of social enterprises to sustain their businesses. Following two successful collaborations in FY2019, JumpStart has set its sights on a third social enterprise to partner with in FY2020 in order to promote skill development and employment opportunity among underserved Malaysian youth.

SURI

In September 2018, HLB JumpStart selected SURI as our first collaboration partner under JumpStart's *Demi Kita* campaign, which ran from September to November 2018. A denim upcycling organisation, SURI was established to provide financial opportunity and skills development for single and disadvantaged mothers in Klang. The *Demi Kita* campaign sought to help SURI improve its marketing, branding and product design to drive business success. Throughout the campaign, SURI was provided with access to digital banking tools, social media-related advisory services and financial and business management coaching, mentoring and advice.

As a result of *Demi Kita* and JumpStart's support, SURI was able to secure enough capital to relocate to a new commercial unit in January 2019. During the campaign period, SURI's new brand videos garnered over 2 million views while other promotional activities generated a total of RM1.3 million worth of public relations value. Thanks to the support provided by the *Demi Kita* campaign and the successes realised by SURI, the organisation was awarded the Star Newspaper's Golden Heart Award 2018 and awarded Best Social Enterprise by MaGIC in 2018. The SURI management team were also recruited to speak about their successes at Tenaga Nasional Berhad's ("TNB") Women Entrepreneur Conference and appointed as a paid Training Provider by TNB for marginalised communities.

Green Hero

For its second collaboration, launched in May 2019, HLB JumpStart selected GreenHero, a social enterprise focused on reducing food waste in Malaysia. Launched by Penang-based green activist Calvin Chan in response to the high levels of avoidable food waste produced by Malaysians, GreenHero uses an online platform to connect consumers with food and beverage outlets willing to sell their surplus food at a discounted price.

To support GreenHero's nationwide expansion, HLB JumpStart provided valuable business and marketing expertise to guide the business's rebranding as well as its development of a sustainable business model for national success. JumpStart also served as a technical advisor, supporting the development of GreenHero's iOS mobile application and providing the business with sustainable smart business technology.

In addition to the direct business support provided to GreenHero by HLB JumpStart, HLB also worked to champion the social enterprises' cause by raising awareness of food wastage in Malaysia. The Bank hosted its first Food Surplus Donation Drive across its Selangor and KL branches and offices nationwide, inviting members of the public to donate their excess non-perishable foodstuff for its redistribution to those in need.

Sustainability Statement

ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE (CONTINUED)

HONG LEONG FOUNDATION

Aside from the financial products and services offered by the Bank to support lower income groups, Hong Leong Group's charitable arm, Hong Leong Foundation ("HLF" or "the Foundation"), carries out several philanthropic and social outreach programmes. The Foundation focuses on delivering meaningful change under the themes of Education and Community Development.

Education	Community Development
HLF's education-based initiatives focus on enhancing curriculum-content for schoolchildren and providing additional academic support for skills development. This year, the Foundation invested RM2,802,592 into 6 education programmes, including scholarships and learning enrichment programmes.	HLF provides year-round philanthropic contributions to the community through the delivery of structured community and social development programmes. This year, the total investment in 11 community development initiatives amounted to RM337,308.

COMMUNITY INITIATIVES AT THE DIVISION LEVEL

In addition to the programmes funded by the HLF, HLB and HLISB also supports various community causes of their own. In FY2019, HLB's Personal Financial Services Division participated in several outreach events at orphanages and homes for the elderly, our Group Operations and Technology Division participated in a food distribution event for the homeless and our Finance Division held a programme in support of the blind. HLISB also undertook several campaigns to give back to the community, including the donation of Braille al-Quran, non-perishable food and cash vouchers.

SME GROWTH

FINANCIAL TOOLS FOR SMES

In order to support the development of SMEs within Malaysia and broader economic growth within the country, HLB offers a comprehensive suite of financial solutions for SMEs. To help SMEs secure loans for property purchases and refinancing, we also offer our property-backed SME financing program, SMElite. The scheme, which is guaranteed by Credit Guarantee Corp Malaysia Bhd, provides loans of up to RM10 million, bundled with working capital requirements of up to a 150% margin of financing.

To promote the accessibility of our financial products and services among SMEs and drive the acquisition of new banking clients, we deployed over 170 Community Business Managers ("CBM") throughout the country in FY2019. The CBMs will be based at branches across local communities nationwide with the aim of improving uptake of our SME services within their areas of coverage.

Digital SME Tools

Our digital tools for SMEs continued to be popular in FY2019, including our human resources and accounting management systems, Kakitangan and Biztory. To further support our customers, in FY2019, we partnered with iPay88, a leading payment gateway in ASEAN. Through iPay88, our customers can now develop specific merchant portals through which they can receive direct-debit payments from customers.

Moving forward, we intend to simplify several of our SME banking products to reduce service turnaround times and improve the customer experience. We remain focused on the development of HLB ConnectFirst Lite, a streamlined digital platform for cash management targeted at SME customers. A simplified version of HLB ConnectFirst, HLB ConnectFirst Lite will strip away functions that are non-essential to SMEs in order to provide cash management tools to efficiently and effectively run business operations. The platform is expected to launch in FY2020.

HLB LAUNCHPAD

In addition to financial services and support, we leverage our financial knowledge and business experience to provide promising SMEs and start-ups with mentorship and guidance. This initiative is driven through the HLB LaunchPad mentorship program, which identifies high-potential technology start-ups in the ASEAN region for collaboration with HLB. Selected start-ups and SMEs are invited to develop and showcase solutions to the bank's day-to-day business challenges, along the way gaining insights into business development, exposure from programme marketing and the opportunity to validate their products in the market.

HLB LaunchPad Activate 2018, held in November 2018, saw 21 FinTechs, SMEs and start-ups from across ASEAN pitch technology solutions to our management team. We are now working closely with the top three winners as well as selected other participants to implement their solutions at HLB.

SME FINANCING

The Bank remains committed to enhancing the availability of financing for SMEs with the target to approve RM7.5 billion worth of financing to Malaysian SMEs in 2019. We are also working closely with government agencies and SME development bodies to further our SME outreach.

EXPANDING ISLAMIC BANKING OPPORTUNITIES FOR SMEs

HLISB is also taking steps to expand its footprint in the SME and Bumiputera market through collaboration with SME Corporation Malaysia and partnership with Unit Peneraju Agenda Bumiputera. Our FY2019 outreach initiatives to support the Islamic SME sector included participation in Halal trade expos and summits throughout Malaysia, including serving as a forum panellist at the World Halal Conference. We also undertook a six-month Halal financing campaign to encourage front-liners to support the Halal Pharmaceutical and Food and Beverage industries. An industry handbook was designed to facilitate better understanding of the halal industry as a whole, its certification processes and due diligence, as well as general financing requirements in order to help our relationship managers advise and acquire prospective clients within the industry.

Corporate **Information**

DIRECTORS

YBHG TAN SRI QUEK LENG CHAN (Chairman)

MR TAN KONG KHOON

MR KWEK LENG HAI

MS CHOK KWEE BEE

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

YBHG DATUK DR MD HAMZAH BIN MD KASSIM

MS CHONG CHYE NEO

MS LAU SOUK HUAN

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Mr Domenic Fuda

COMPANY SECRETARY

Mr Jack Lee Tiong Jie
MAICSA 7060133

AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

REGISTRAR

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

REGISTERED OFFICE

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

WEBSITE

www.hlb.com.my

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventy-Eighth Annual General Meeting ("AGM") of Hong Leong Bank Berhad ("Bank") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 29 October 2019 at 10:00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2019.

2. To declare a final single-tier dividend of 34 sen per share for the financial year ended 30 June 2019 to be paid on 19 November 2019 to members registered in the Record of Depositors on 4 November 2019. **(Resolution 1)**

3. To approve the payment of Directors' Fees of RM1,067,931 for the financial year ended 30 June 2019 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM270,000 from the 78th AGM to the 79th AGM of the Bank. **(Resolution 2)**

4. To re-elect the following Directors pursuant to the Bank's Constitution:
   (a) Ms Chong Chye Neo **(Resolution 3)**
   (b) Ms Lau Souk Huan **(Resolution 4)**
   (c) Mr Tan Kong Khoon **(Resolution 5)**
   (d) YBhg Datuk Dr Md Hamzah bin Md Kassim **(Resolution 6)**

5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

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

6. **Ordinary Resolution**
   Authority to Directors to Allot Shares
   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Bank's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Bank, grant rights to subscribe for shares in the Bank, convert any security into shares in the Bank, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank." **(Resolution 8)**

Notice of Annual General Meeting

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

"**THAT** approval be and is hereby given for the Bank and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3 (A) and (B), Part A of the Bank's Circular to Shareholders dated 30 September 2019 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public and are not, in the Bank's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Bank at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Bank after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Bank be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 9)**

8. **Special Resolution**
Proposed Adoption of New Constitution

"**THAT** the proposed Constitution as set out in Appendix IV of the Circular to Shareholders dated 30 September 2019, be approved and adopted as the new Constitution of the Bank in substitution for and to the exclusion of the existing Constitution thereof;

AND THAT the Board of Directors be and is hereby authorised to assent to any modification, variation and/or amendment as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **(Resolution 10)**

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

Notice of Annual General Meeting

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

(a) shares transferred into the depositor's securities account before 4:00 p.m. on 4 November 2019 in respect of ordinary transfers; and

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

By Order of the Board

JACK LEE TIONG JIE (MAICSA 7060133)
Company Secretary

Kuala Lumpur
30 September 2019

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Bank. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

4. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

5. Pursuant to Paragraph 8.29 A (1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to vote by way of a poll.

Notice of Annual General Meeting

EXPLANATORY NOTES

1. **Resolution 2 on Directors' Fees and Directors' Other Benefits**

   - Directors' Fees of RM1,067,931 are inclusive of Board Committee Fees of RM342,931 and Meeting Allowances of RM95,000.
   - Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to RM270,000.

2. **Resolution 8 on Authority to Directors to Allot Shares**

   The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the Bank to issue ordinary shares of the Bank from time to time and expand the mandate to grant rights to subscribe for shares in the Bank, convert any security into shares in the Bank, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Bank.

   As at the date of this Notice, no new shares in the Bank were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 29 October 2018 and which will lapse at the conclusion of the Seventy-Eighth AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. **Resolution 9 on Recurrent Related Party Transactions of a Revenue or Trading Nature**

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

4. **Resolution 10 on Proposed Adoption of New Constitution**

   The proposed Special Resolution, if passed, will bring the Bank's Constitution in line with the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities as well as to enhance administrative efficiency ("Proposed Adoption of New Constitution").

   The proposed new Constitution of the Bank is set out in Appendix IV of the Circular to Shareholders dated 30 September 2019 which is dispatched together with the Bank's 2019 Annual Report.

Detailed information on the Proposed Renewal of Shareholders' Mandate and the Proposed Adoption of New Constitution is set out in the Circular to Shareholders dated 30 September 2019 which is dispatched together with the Bank's 2019 Annual Report.

Statement Accompanying Notice of **Annual General Meeting**

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

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

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

- **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Securities**

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

Board of Directors' Profile

YBHG TAN SRI QUEK LENG CHAN

Position

Chairman/Non-Executive/Non-Independent

Nationality / Age / Gender

Malaysian / 76 / Male

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

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

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

MR TAN KONG KHOON

Position

Executive Director/Non-Independent

Nationality / Age / Gender

Singaporean / 62 / Male

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

Mr Tan was appointed to the Board of HLB on 1 July 2013 and is a member of the CSC, Executive Committee and Nomination Committee ("NC") of HLB.

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

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

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

Mr Tan is the Chairman of Hong Leong Capital Berhad and a Director of HLFG, both companies listed on the Main Market of Bursa Securities; and a Director of HLA and Hong Leong Investment Bank Berhad, both public companies. He is also the Chairman of Hong Leong Bank (Cambodia) PLC and Chief Controller on the Board of Controllers of HLBVN.

Board of Directors' Profile

MR KWEK LENG HAI

Position

Non-Executive Director/Non-Independent

Nationality / Age / Gender

Singaporean / 66 / Male

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

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

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

MS CHOK KWEE BEE

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 67 / Female

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

Ms Chok is presently the Managing Director of Teak Capital Sdn Bhd, a venture capital management company and a Principal of Intres Capital Partners Sdn Bhd. Prior to that, she was with Walden International, a Silicon Valley based venture capital firm, overseeing the operations and investments of Walden International and BI Walden in Malaysia. Ms Chok was also previously Head of the Corporate Finance at AmInvestment Bank Berhad. She previously held posts as a member of the Securities Commission Capital Market Advisory Council, the Chairman of the Malaysian Venture Capital and Private Equity Association, a Non-Executive Board Member of the Audit Oversight Board and also a member of the Malaysian Venture Capital Development Council of the Securities Commission.

Ms Chok is currently the Chairman of Aemulus Holdings Berhad, a public company. She also sits on the board of several private companies.

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

Board of Directors' Profile

YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH

Position

Non-Executive Director/Independent

Nationality / Age / Gender

British and Malaysian Permanent Resident / 67 / Male

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

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

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

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

YBHG DATUK DR MD HAMZAH BIN MD KASSIM

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 70 / Male

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

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

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

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

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

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

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

Board of Directors' Profile

MS CHONG CHYE NEO

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 56 / Female

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

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

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

Ms Chong currently also serves as an Independent Non-Executive Director of Bursa Malaysia Berhad.

Ms Chong was appointed to the Board of HLB on 21 February 2019.

MS LAU SOUK HUAN

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 55 / Female

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

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

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

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

Notes:

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

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

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2019.

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

Key Senior **Management**

MR DOMENIC FUDA

Position

Group Managing Director/Chief Executive Officer

Nationality / Age / Gender

Australian / 52 / Male

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

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

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

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

MR CHARLES SIK WAN KING

Position

Managing Director, Personal Financial Services

Nationality / Age / Gender

Malaysian / 57 / Male

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

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

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

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

Key Senior Management

MR YOW KUAN TUCK

Position

Managing Director, Business and Corporate Banking

Nationality / Age / Gender

Malaysian / 48 / Male

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

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

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

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

ENCIK JASANI BIN ABDULLAH

Position

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

Nationality / Age / Gender

Malaysian / 59 / Male

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

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

Encik Jasani has more than 30 years of working experience in the banking industry with the last 19 years in Islamic finance.

Prior to HLISB, Encik Jasani spent more than 20 years in various senior positions in RHB Bank Berhad and RHB Islamic Bank Berhad, his last position being the Vice President, Head-Product Development Division.

Key Senior Management

MR HOR KWOK WAI

Position

Managing Director, Global Markets

Nationality / Age / Gender

Malaysian / 45 / Male

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

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

Prior to HLB, Mr Hor was Head of Global Markets for The Royal Bank of Scotland Malaysia where he spent seven years developing their sales and trading business across foreign exchange, fixed income, derivatives and structured products. Prior to that, he had worked for several major foreign banks in Malaysia such as JP Morgan Chase Bank, Standard Chartered Bank and OCBC Bank in various roles.

MR MALKIT SINGH MAAN

Position

Chief Financial Officer

Nationality / Age / Gender

Malaysian / 53 / Male

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

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

Mr Malkit has over 28 years of banking, corporate and finance experience. Prior to joining HLB, he was with BIMB Holdings Berhad as the Group CFO. Being responsible for the financial management of the Group, he assisted to steer, BIMB Holdings Berhad to achieve the highest return on equity (ROE) for the last 4 years (FYE 2015-2018), amongst listed banking groups, being the top pick of most research houses and analysts. He talks to analyst and fund managers locally and abroad attracting interest from Singapore, Hong Kong, Japan and London. Mr Malkit had also previously served as the CFO of Bank Islam Bank Berhad. He contributed considerably in the turnaround plan of Bank Islam and thereafter set the path for sustainable growth and value based business for Bank Islam. Prior to Bank Islam, Mr Malkit was the CFO of ABN AMRO Bank Berhad and Vice President-Finance at RHB Bank Berhad.

Key Senior Management

MR JASON WONG HON LURN

Position

Managing Director & Chief Executive, HLB Singapore Branch

Nationality / Age / Gender

Singaporean / 56 / Male

Mr Jason Wong Hon Lurn holds an Executive Master of Business Administration from Helsinki School of Economics and Business Administration and possesses graduate diplomas in Techno-Entrepreneurship and Electronic Business programmes.

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

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

MR AARON HO WAI CHOONG

Position

Managing Director, China Operations

Nationality / Age / Gender

Malaysian / 64 / Male

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

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

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

Key Senior Management

MR JOSEPH FARRUGIA

Position

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

Nationality / Age / Gender

Australian / 56 / Male

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

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

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

MR DUONG DUC HUNG

Position

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

Nationality / Age / Gender

Vietnamese / 43 / Male

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

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

Prior to HLBVN, Mr Duong brings more than 20 years of banking and financial services experience, with his most recent role as a member of Techcombank's Management Committee as Transformation Director. Prior to that, he has been with ANZ Vietnam for more than 10 years, holding various key portfolios in product, performance management, wealth management, sales & services before he was appointed to head the entire retail banking and operations.

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

Key Senior Management

MR PHILIP LUK KAI MAN

Position

General Manager, HLB, Hong Kong Branch

Nationality / Age / Gender

Hong Kong Citizen / 49 / Male

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

Mr Philip Luk joined HLB on 1 May 2019 as General Manager, HLB, Hong Kong Branch.

Prior to HLB, Mr Philip Luk was Head of Transactional Banking, North East Asia with National Australia Bank, Hong Kong. In this role, he was part of the EXCO & ALCO of the bank.

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

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

Notes:

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

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

3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2019.

Board Audit Committee Report

CONSTITUTION

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

COMPOSITION

MS CHOK KWEE BEE
(Chairman, Independent Non-Executive Director)
(Appointed as BAC Chairman with effect from 5 May 2019)

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

MS LAU SOUK HUAN
(Independent Non-Executive Director)
(Appointed as BAC member with effect from 6 September 2019)

MS LIM LEAN SEE
(Chairman, Independent Non-Executive Director)
(Retired as BAC Chairman on 5 May 2019)

SECRETARY

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

TERMS OF REFERENCE

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

AUTHORITY

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

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

MEETINGS

The BAC meets at least eight (8) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

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

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

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

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

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

ACTIVITIES

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

During the financial year ended 30 June 2019, nine (9) BAC meetings were held and the attendance of the BAC members was as follows:

Members	Attendance
Ms Chok Kwee Bee (1)	8/8
Ybhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	8/9
Ms Lim Lean See (2)	8/8

Board Audit Committee Report

Ms Lau Souk Huan was appointed as BAC member with effect from 6 September 2019, after the close of the FYE 2019, and as such, did not attend any of the BAC meetings held during the FYE 2019.

Notes:

[(1)] *Appointed as BAC member with effect from 14 August 2018 and BAC Chairman with effect from 5 May 2019.*

[(2)] *Retired as BAC Chairman on 5 May 2019.*

HOW THE BAC DISCHARGES ITS RESPONSIBILITIES

FINANCIAL REPORTING

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

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

BAC also reviewed with Management the progress update reports, MFRS 9 Model validation report performed by an independent party and MFRS Day 1 audit performed by the external auditors in relation to the Group's adoption of MFRS 9 in FY 2019.

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

EXTERNAL AUDIT

The external auditors of the Group for the financial year ended 30 June 2019 is PricewaterhouseCoopers PLT ("PwC PLT"). The BAC discussed and reviewed with the external auditors, before the audit commences for the financial year:

(i) the audit plan and timetable for the financial audit of the Group including the focus areas and approach to the current financial year's audit and any significant issues that can be foreseen, either as a result of the past year's experience or due to new accounting standards or other changes in statutory or listing requirements; and

(ii) the methodology and timetable of the Statement on Internal Control and Risk Management.

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

The BAC reviewed the external auditors' fees and their scope of services. The approved and incurred fees for the financial year ended 30 June 2019 amounted to RM3,732,300 of which RM62,500 was payable in respect of non-audit services. Non-audit services accounted for 2% of the total audit fees payable. The BAC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BAC also evaluated the performance of PwC PLT in the following areas in relation to its re-appointment as auditors for the financial year ended 30 June 2019 and considered PwC PLT to be independent:

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

(b) level of engagement with BAC;

(c) ability to provide constructive observations, implications and recommendations in areas which require improvements;

(d) adequacy in audit coverage, effectiveness in planning and conduct of audit;

(e) ability to perform the audit work within the agreed timeframe;

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

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

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

PwC PLT, in accordance with professional ethical standards, has provided the BAC with confirmation of their independence for the duration of the financial year ended 30 June 2019 and the measures used to control the quality of their work.

The BAC has therefore recommended to the Board that PwC PLT be re-appointed as the auditors. Resolution concerning the reappointment of PwC PLT will be proposed to shareholders at the 2019 Annual General Meeting.

Board Audit Committee Report

RELATED PARTIES TRANSACTIONS

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

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

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

CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

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

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

INTERNAL AUDIT

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

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

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

GROUP INTERNAL AUDIT DIVISION ("GIAD")

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

During the financial year ended 30 June 2019, GIAD carried out its duties covering audits on branches, and risk-based audits on Personal Financial Services, Business Corporate Banking and Global Markets businesses, Group Operations and Technology, Group Functions, investigation and other assignments as directed. These audits are performed in line with the BNM Guidelines on Internal Audit Function.

Besides performing internal audit functions to the Bank Group, it also through a service agreement, provides internal audit services to Hong Leong Capital Berhad, Hong Leong Assurance Berhad, and Hong Leong MSIG Takaful Berhad. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2019 was RM13.986 million.

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

Board Risk Management Committee (BRMC) Report

CONSTITUTION

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

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

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

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

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

COMPOSITION

The BRMC must:

(a) have at least three directors;

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

(c) be chaired by an independent director; and

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

SECRETARY

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

TERMS OF REFERENCE

RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

11. To review the adequacy and effectiveness of IT risk management and security controls on e-banking services.

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

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

Board Risk Management Committee (BRMC) Report

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

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

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

17. Other risk management functions as may be agreed by the BRMC and the Board.

COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

GROUP GOVERNANCE

1. Noted that:

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

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

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

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

Board Risk Management Committee (BRMC) Report

AUTHORITY

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

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

MEETINGS

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

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

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

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

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

REVISION OF THE TERMS OF REFERENCE

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

ACTIVITIES

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

For the financial year ended 30 June 2019, eight (8) BRMC meetings and three (3) special BRMC meetings were held and the attendance of the BRMC members is recorded as follows:

Member	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	11/11
Ms Lim Lean See	9/9
Ms Chok Kwee Bee	11/11

Ms Lim Lean See did not attend two BRMC meetings as she officially retired on 5 May 2019.

Ms Lau Souk Huan was appointed as BRMC member with effect from 6 September 2019, after the close of the FYE 2019. Consequently, she did not attend any of the BRMC meetings held during the FYE 2019.

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

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

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

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

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

Finance Committee on Corporate Governance

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

The CG Report 2019 of the Bank in relation to this statement is published on the Bank's website, www.hlb.com.my ("the Bank's Website").

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board. The Board Charter is published on the Bank's Website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and his management team are accountable to the Board for the performance of the Bank. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls to the Board Audit Committee ("BAC"); and risk management to the Board Risk Management Committee ("BRMC"). The Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD/CEO. This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.

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

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Bank for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and

Corporate Governance Overview, Risk Management & Internal Control Statement

enhancing shareholder wealth, providing management of the day-to-day operations of the Bank and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs' independent judgment or their ability to act in the best interest of the Bank and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Report which forms part of the Annual Report.

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

B. BOARD COMPOSITION

The Board currently comprises eight (8) Directors. The eight (8) Directors are made up of seven (7) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in the Annual Report.

The Bank is guided by BNM CG Policy and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Bank. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Bank has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has eight (8) Directors, of whom three (3) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2019, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

C. BOARD COMMITTEES

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

(A) BAC

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

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

(B) BRMC

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

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

(C) NC

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

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

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

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C. BOARD COMMITTEES (CONTINUED)

(c) NC (CONTINUED)

The Bank has in place Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (i) new appointments and re-appointments of Chairman, Directors and GMD/CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and GMD/CEO, and the criteria and guidelines used for such assessments. Upon the approval of the Board, an application on the prescribed forms will be submitted to BNM for approval in respect of new appointments and re-appointments.

(i) New Appointments

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

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

In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Bank has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In the case of GMD/CEO, the NC will take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider the candidate's F&P Declaration in line with the standards required under the relevant BNM Guidelines.

(ii) Re-Appointments

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

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

For re-appointments, the Chairman, Directors and GMD/CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions during the term of office, attendance at Board meetings, F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines and for Independent Directors, their continued independence.

C. BOARD COMMITTEES (CONTINUED)

(c) NC (CONTINUED)

(iii) Board Committee Appointments

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

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

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

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Directors and GMD/CEO per BNM Guidelines. The NC will deliberate on the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and GMD/CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year service.

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Bank; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities per the Board Committees' TOR and the contribution of Board Committees members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Bank and analytical skills to the decision-making process are also taken into consideration.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

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

During the financial year ended 30 June 2019 ("FYE 2019"), four (4) NC meetings were held and the attendances of the NC members were as follows:

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

C. BOARD COMMITTEES (CONTINUED)

(C) NC (CONTINUED)

(iii) Board Committee Appointments (continued)

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FYE 2019:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Bank. The NC will continue to maintain women participation on the Board in line with the MCCG;

- Considered and assessed the position of Independent Directors of the Bank and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;

- Reviewed the F&P Declarations by Directors and GMD/CEO in line with the BNM policy document on F&P Criteria and was satisfied that the Directors and GMD/CEO met the requirements as set out in BNM policy document on F&P Criteria;

- Reviewed the term of office and performance of the BAC and each of its members in accordance with the TOR of BAC and was of the view that the BAC and each of its members had carried out their duties in accordance with the BAC TOR for the period under review;

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

- Reviewed the appointment of Company Secretary in accordance with the BNM CG Policy and recommended to the Board for consideration and approval;

- Reviewed and recommended to the Board for adoption the revisions to the F&P Policy of the Bank on assessment criteria and guidelines for appointment and re-appointment of Chairman, Directors and GMD/CEO; and

- Reviewed the appointment of BAC Chairman in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval.

(D) REMUNERATION COMMITTEE ("RC")

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

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

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

During the FYE 2019, three (3) RC meetings were held and the attendances of the RC members were as follows:

Member	Attendance
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	3/3
YBhg Tan Sri Quek Leng Chan	3/3
YBhg Datuk Dr Md Hamzah bin Md Kassim	3/3

C. BOARD COMMITTEES (CONTINUED)

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

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 resources consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

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

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

The detailed remuneration of each Director during the FYE 2019 is as set out in Note 42 of the Audited Financial Statements in this Annual Report.

REMUNERATION PHILOSOPHY & FRAMEWORK

The remuneration strategy of HLB Group supports and promotes a high performance culture to deliver the Bank's Vision to be a highly digital & innovative ASEAN financial services company. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process that incorporates meritocracy in performance, HLB values, prudent risk-taking and key behaviours in accordance to our Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

OVERVIEW OF REMUNERATION POLICY FRAMEWORK

A. Philosophy

Remuneration philosophy hinges on:
- Our values and commitment to the employees of the Bank
- High performance culture
- Strong alignment between prudent risk taking and reward

B. Principles

Remuneration principles are based on 3 key principles:
- Oversight by Remuneration Committee & Board of Directors
- Prudent Risk Taking
- Governance Process for Bonus, Increment and Promotion (BIP)

C. Practices

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

C. BOARD COMMITTEES (CONTINUED)

GUIDING PRINCIPLES

Principle 1 - Oversight by Remuneration Committee & Board of Directors

The RC's responsibilities are to recommend to the Board the framework and policies that govern the remuneration of the directors, Chief Executive Officer, senior management officers and other material risk takers. The RC ensures that the remuneration system is in line with the business and risk strategies, corporate values and long-term interests of the Bank and that it has a strong link between rewards, collective and individual performance and is periodically benchmarked to market/industry. The Board ensures that the corporate governance disclosures on remuneration are accurate, clear, and presented in a manner that is easily understood by our shareholders, customers and other relevant stakeholders.

Principle 2 - Prudent Risk Taking

Remuneration for employees within the Bank is aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement.

Principle 3 - Governance Process for Bonus, Increment and Promotion ("BIP")

The Bank has established a robust BIP process to ensure proper governance and sufficient controls are in place. Provision for variable remuneration is tied to the performance of the Bank and the pool is allocated according to the performance of each business unit and then the individual contribution to that performance. To safeguard the independence and authority of individuals engaged in control functions, the Bank ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee.

REMUNERATION PRACTICES

Measurement of Performance

The Bank's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as risk, audit and compliance outcomes.

For each employee, performance is tracked through Key Result Areas ("KRAs") in a balanced scorecard. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and the multiple stakeholders we serve. At the end of the year, performance of the employee is assessed through the performance management framework which is based on 70% of KRAs (with mandatory weightage for Compliance and Training) and 30% on demonstrating embodiment of HLB Values.

Pay Mix Delivery and its Purpose

The overall total compensation for the GMD/CEO, members of the senior management team and material risk takers generally includes base pay, fixed cash allowances, performance-based variable pay, long term incentives, benefits and other employee programmes.

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

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

C. BOARD COMMITTEES (CONTINUED)

REMUNERATION PRACTICES (CONTINUED)

Pay Mix Delivery and its Purpose (continued)

2. Performance-based variable pay

   Performance-linked variable pay in the form of bonuses is paid out at the end of the financial year subject to the Bank's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for shareholders and our multiple stakeholders. A robust key performance indicator ("KPIs") setting process that incorporates risk management as part of the scorecards are also in place to ensure excessive risk taking behaviours by staff is minimised and sufficient control mechanism are in place. Variable bonus awards for individuals in senior management position and in excess of a certain amount of threshold will be deferred over a period of time, to ensure that outcomes are sustainable and any risks associated with the generation of the income in a particular year have sufficient time to emerge and manifest themselves before employees have access to the full amount of the variable portion.

3. Long term incentives

   In addition, the Bank also recognises and rewards individuals for their contributions towards the Bank's long-term business achievements (both in qualitative and quantitative measures) through a combination of cash and non-cash (i.e. shares or share-linked instruments) elements that are subject to partial deferment over a period of time (typically over a few years) with built-in clawback mechanism.

   The clawback mechanism can be triggered when there are non-compliances to regulations and policies and where Management deemed necessary due to achievements of performance targets that are not sustainable. Clawbacks are typically (and not limited to) applied in the case of Gross Misconduct, Financial Misstatements, Material Risks and/or Malfeasance of Fraud.

   The variable portion of remuneration (both Performance-based variable pay and Long term incentives) increases along with the individual's level of accountability. By subjecting an adequate portion of the variable remuneration package to forfeiture, it takes into account potential financial risks that may crystallize over a period of time, and reinforces HLB's corporate and risk culture in promoting prudent risk taking behaviours.

4. Employee Benefits and Programmes

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

C. BOARD COMMITTEES (CONTINUED)

REMUNERATION PRACTICES (CONTINUED)

Remuneration Disclosure

The following depicts the total value of remuneration awarded to the GMD/CEO, Senior Management team and Material Risk Takers for the FYE 2019:

GMD/CEO, Senior Management and Material Risk Takers	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2019 (RM)	Total amount of outstanding deferred remuneration paid out (vested) in FYE 2019 (RM)
Fixed Remuneration					
Cash-based	34	31,204,209	-	-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Variable Remuneration					
Cash-based	31	26,717,976	-	-	-
Shares and share-linked instruments	6	-	5,499,986	5,499,986	6,133,703
Other	-	-	-	-	-

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

D. INDEPENDENCE

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. It further states that in the event the Board wishes to retain an Independent Director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification. In the event the Board wishes to retain an Independent Director who has served a cumulative term of 12 years and above, shareholders' approval shall be annually sought through a two-tier voting process.

The tenure of all the Independent Directors on the Board of the Bank does not exceed 9 years. The Independent Directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the Independent Directors have continued to bring independent and objective judgment to Board deliberations and decision making.

The Bank has in place a policy in relation to the tenure for Independent Directors of the Bank ("Tenure Policy") under the F&P Policy of the Bank. Pursuant to the Tenure Policy, an Independent Director who has served on the Board of the Bank for a period of 9 years cumulatively shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an Independent Director, upon:

(a) the expiry of his term of office approved by BNM; or
(b) the due date for his retirement by rotation pursuant to the Constitution of the Bank.

D. INDEPENDENCE (CONTINUED)

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

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

E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Bank to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Bank has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Bank and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Bank's expense, in consultation with the Chairman or the GMD/CEO of the Bank.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present of the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

The Board met eight (8) times for the FYE 2019 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	8/8
Mr Tan Kong Khoon	8/8
Mr Kwek Leng Hai	8/8
Ms Chok Kwee Bee	8/8
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	7/8
YBhg Datuk Dr Md Hamzah bin Md Kassim	8/8
Ms Chong Chye Neo [(1)]	3/3
Ms Lim Lean See [(2)]	7/7

(1) *Appointed as Director with effect from 21 February 2019*
(2) *Retired as Director on 5 May 2019*

Ms Lau Souk Huan was appointed to the Board after the close of the FYE 2019 and as such, did not attend any of the Board meetings held during the FYE 2019.

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

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E. COMMITMENT (CONTINUED)

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

Ms Lau Souk Huan was appointed to the Board on 6 September 2019 and will be registered to attend the Mandatory Accreditation Programme ("MAP"). All the other Directors of the Bank have completed the MAP.

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

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

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

During the FYE 2019, the Directors received regular briefings and updates on the Bank's businesses, strategies, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Bank also organised an in-house programme for its Directors and senior management.

The Directors of the Bank have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the FYE 2019, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Anti-Corruption Summit 2018
- AMLATFPUAA 2001 (Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001) – Managing Challenges in Risk Based Approach & Politically Exposed Person
- Bursa Malaysia – Sustainability Engagement Series for Directors / Chief Executive Officers 2018
- Bursa Malaysia – Independent Directors' Programme: The Essence of Independence
- Briefing on Cyber Risk Awareness
- BNM – MyFintech Week 2019
- FIDE Forum – Masterclass on Cybersecurity: Unseen Threats
- FIDE Forum – Blockchain in Financial Services Industry by IBM Experts
- FIDE Forum – IBM THINK Malaysia
- FIDE Forum – Dialogue with the Deputy Governor on the draft Risk Management in Technology Policy
- FIDE Forum – Rethinking Strategy
- FIDE Forum – 1st PIDM–FIDE Forum Annual Dialogue
- FIDE Forum – Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader"
- FIDE Forum – Dinner Talk: "Digital Assets: Global Trends Legal Requirements and Opportunities for Financial Institutions"
- FIDE Forum – Board Conversations: Dialogue with Senior Officials of BNM
- FIDE Forum – Focus Group Discussion (for the 6th BNM-FIDE FORUM Annual Dialogue with the Senior Management of BNM)
- Directors' Duties & Powers – Recent Developments in the Law and How It Affects You
- AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach
- Insight on Value-Based Intermediation
- ICLIF – Anti-Money Laundering/Counter Financing of Terrorism – Banking Sector
- ICLIF – Emerging Risks, the Future Board and Return on Compliance
- ICLIF – CG Watch: How Does Malaysia Rank?
- ICLIF – Credit Risk Management – Banking Sector
- ICLIF – Breakfast Series: Non-Financials – Does It Matter?
- ICLIF – Understanding the Evolving Cybersecurity Landscape
- ICDM – 'Revisiting the Misconception of Board Remuneration by Mark Reid'
- ICDM – 'Would A Business Judgement Rule Help Directors Sleep Better At Night'?

E. COMMITMENT (CONTINUED)

- ISRA Consultancy – Islamic Finance for Board of Directors Programme
- Khazanah National – Khazanah Megatrends Forum 2018
- MAP for Directors of Public Listed Companies
- Malaysian Institute of Corporate Governance: 'Enterprise Risk Management – The Essential Building Blocks For A Holistic & Robust ERM Framework'
- Malaysian Alliance of Corporate Directors – The Human Firewall: Five Critical Concepts for Cultivating a Cyber Security Culture
- South China Morning Post China Conference
- SCxSC Fintech Conference 2018
- Security Industry Development Corporation – IMD Global Business Insight
- Update on regulations in relation to the increase in additional buyer stamp duty rates and tightening loan-to-value limits
- Update on Code of Corporate Governance 2018
- Update on Singapore Stock Exchange Listing Rules
- Briefing on Developers (Anti-Money Laundering and Terrorism Financing) Bill
- Update on Guidelines on Use, Collection and Disclosure of NRIC numbers and Changes to the Employment Act

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE

HONG LEONG BANK GROUP CODE OF CONDUCT & ETHICS

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

The Code is applicable to:

- All employees who work in the HLB Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees;
- Board of Directors of the HLB Group; and
- Any other persons permitted to perform duties or functions within the HLB Group – including but not limited to contractors, secondees, interns, industrial attachment and agency staff.

As the Code forms part of the terms and conditions of employment, our employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business, professional activities and personal lives, which might otherwise reflect poorly on the reputation of the HLB Group.

Principles

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

PRINCIPLE 1: COMPETENCE

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

PRINCIPLE 2: INTEGRITY

The HLB Group's Vision, Mission and Values identifies a strong values-based culture to guide decisions, actions and interactions with stakeholders as a key enabler for the success of the HLB Group.

PRINCIPLE 3: FAIRNESS

A core mission of the HLB Group is to help our clients succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders.

PRINCIPLE 4: CONFIDENTIALITY

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

PRINCIPLE 5: OBJECTIVITY

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

PRINCIPLE 6: ENVIRONMENT

The HLB Group is committed to reduce the effect of our operations on the environment so that we are able to build our franchise in a safe and healthy environment. We aim to do this by managing the resources we use across the HLB Group and raising staff awareness about the importance of caring for the environment. The HLB Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

Corporate Governance Overview, Risk Management & Internal Control Statement

F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

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

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

Continuous Training & Awareness
Multiple training channels, such as mandatory e-Learning modules on SmartUp, the Bank's mobile-first bite-sized learning app, are in place to enable easy access for employees to be upskilled. Attestation to the Code is conducted at time of joining the HLB Group and on an annual basis.

G. ACCOUNTABILITY AND AUDIT

The Bank has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Bank's reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

I. FINANCIAL REPORTING

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BAC, which assesses the integrity of financial statements with the assistance of the external auditors.

II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The BRMC is delegated with the responsibility to provide oversight of the Bank's management of critical risks that the Group faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank.

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

III. RELATIONSHIP WITH AUDITORS

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

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

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

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

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

Corporate Governance Overview, Risk Management & Internal Control Statement

H. DISCLOSURE

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

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

I. SHAREHOLDERS

I. DIALOGUE BETWEEN COMPANIES AND INVESTORS

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

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

The Bank has a website at www.hlb.com.my which the shareholders can access for information which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. A summary of the key matters discussed at the AGM is published on the Bank's Website.

The Board has identified Ms Chok Kwee Bee, the Chairman of the BAC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the following persons to direct queries and provide feedback to the Group:

GENERAL MANAGER, COMMUNICATION & CSR
Tel No. : 03-2081 8888 ext. 61914
Fax No. : 03-2081 7801
e-mail address : capr@hongleong.com.my

HEAD, CORPORATE FINANCE & INVESTOR RELATIONS
Tel No. : 03-2081 2972
Fax No. : 03-2081 8924
e-mail address : IR@hlbb.hongleong.com.my

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors and the GMD/CEO attended the last AGM held on 29 October 2018.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I. INTRODUCTION

The Board recognises that practice of good governance is an important process and has established the BAC and BRMC to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessments and improvements are on-going and are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers'.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

II. BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The risk management and internal control framework is designed to manage rather than to eliminate the risk of failure in the achievement of goals and objectives of the Group, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of risk management and internal control instituted throughout the Group is updated from time to time to align with the dynamic changes in the business environment as well as any process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, Management policies and standard operating procedures ("SOP") on risk management and internal control.

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The organisational structure of the Group clearly defines the lines of accountability and responsibility. Risk assessment and evaluation are integral part of the Group's strategic planning cycle and are responsive to business environment and opportunities. Management committees are appropriately set up to ensure proper utilisation and investment of the Group's assets for effective risk return rewards or to limit losses. The Group Risk Management ("GRM") and Group Compliance ("GC") divisions have implemented an enterprise-wide risk management framework to inculcate continuous risk and regulatory compliance awareness, understanding of procedures and controls thus improving the overall control environment.

Operationally, the Group operates multiple lines of defence to effect a robust control framework. At the first level, the operating business and support units are responsible for the day-to-day management of risks inherent in the various business activities. Regulatory and operational compliance units are set up in the various lines of business and support departments. They oversee the day-to-day compliance to all regulatory requirements, business and process controls. At the second level, GRM is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, and control of risks; whereas GC is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended. At the third level, the Group Internal Audit division complements GRM and GC by monitoring and evaluating significant exposures to risk and contributing to the improvement of risk management and internal control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management framework governance systems and processes, including those instituted by the compliance function.

The above is depicted in the following diagram:

First Line of Defence	Second Line of Defence	Third Line of Defence
Business and Support Regulatory and Operational	Group Risk Management Group Compliance	Group Internal Audit
▼	▼	▼
Manage inherent risks and ensure compliance to policies and SOPs in day-to-day activities.	Sets policies, reviews portfolio risks and provides oversight of risk management and compliance matters.	Independent assessment of adequacy and effectiveness of policies and processes.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management

Managing risks is an integral part of the Group's overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives.

Risk governance oversight is underpinned by the core pillars of risk culture, appetite, policies, surveillance, escalation and capacity. Above all, the approaches need to be relevant, forward looking and sustainable.

The Group's risk management framework incorporates the components depicted in the diagram below:

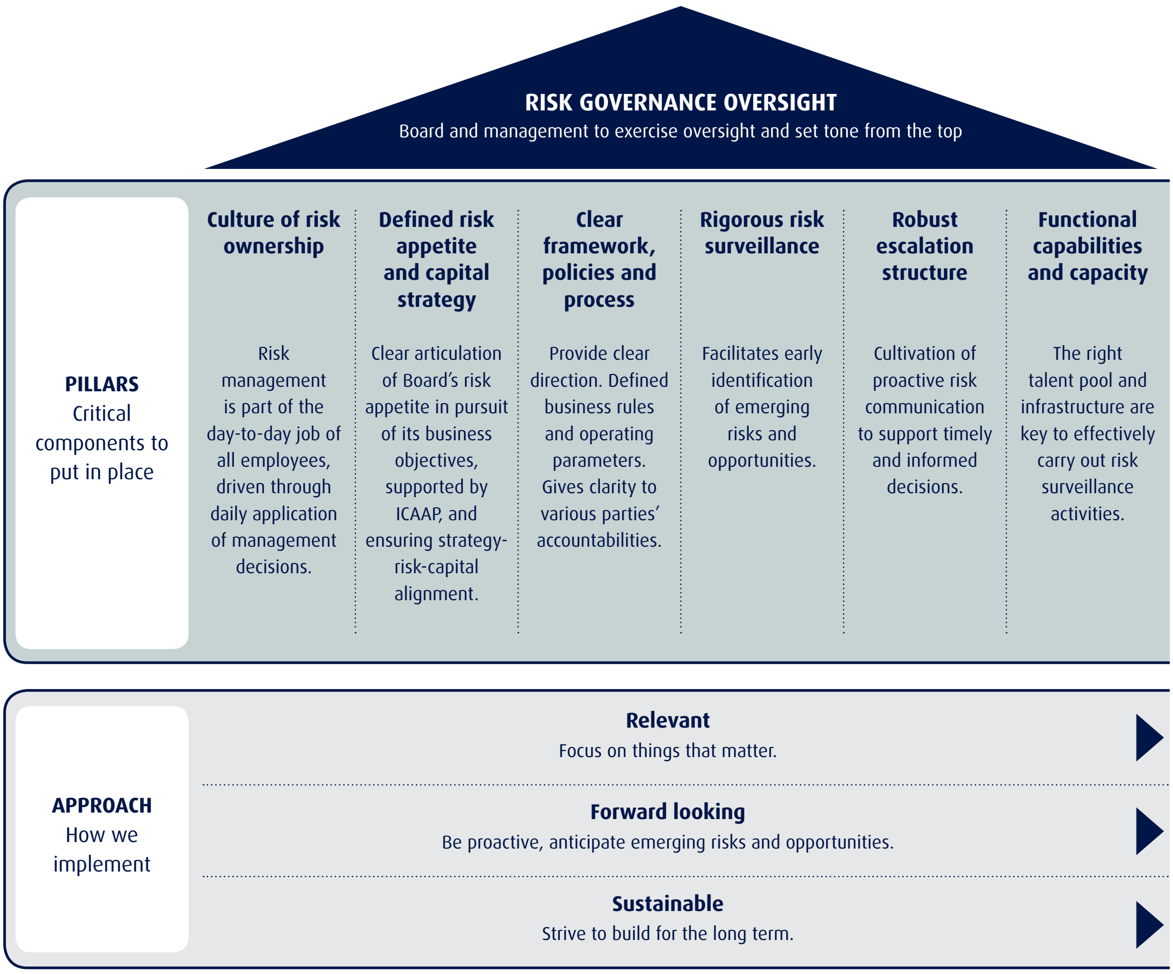

Figure 1: Risk Management Framework

Corporate Governance Overview, Risk Management & Internal Control Statement

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

In addition, the risk management framework is effected through an organisational construct and escalation structure as depicted below:

Figure 2: Risk Management Structure

The Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Board sets the risk appetite and tolerance level, and allocates the Group's capital that is consistent with the Group's overall business objectives and desired risk profile. GRM monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks. GC identifies, assesses, monitors and reports compliance issues in addition to advising, providing guidance and training on regulatory requirements. These risks are presented to BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by GRM and GC, and provides updates to the Board, and where appropriate, make necessary recommendations to the Board.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
CREDIT RISK Credit Risk is the risk of loss if a borrower or counterparty in a transaction fails to meet its obligations.	• The Group has established a credit risk management framework (via the Credit Risk Governance Board Policy) to ensure that exposure to credit risk is kept within the Group's financial capacity to withstand potential future losses. Financing activities are also guided by internal credit policies. The above policies are subject to reviews and enhancements, at least on an annual basis. • Credit portfolio strategies are developed to achieve a desired portfolio risk tolerance level and sector concentration distribution. • To assess the credit risk of retail customers, the Group employs risk scoring models and lending templates that are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. • To assess the credit risk of SME, commercial and corporate customers, they are evaluated based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered; and are assigned with a credit rating. • The Group has a comprehensive credit approving process. While the business units are responsible for credit origination, the credit decisioning function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC and various personnel based on job function and designation. • For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to their introduction. • Credit risk reports are presented to the relevant management and board level committees. Such reports identify adverse credit trends and asset quality to enable the Group to take prompt corrective actions and/or take appropriate risk-adjusted decisions. • In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
OPERATIONAL RISK Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.	• Management oversight on operational risk management ("ORM") matters are effected through the Risk and Compliance Governance Committee ("RCGC") whilst Board oversight is effected through the BRMC. • The Group's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring. • The Group adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls.
MARKET RISK Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, spreads, volatilities, and/or correlations.	• Market risk is primarily managed through various risk limits and controls following an in-depth risk assessment and review. The types and level of market risk that the Group is able and willing to take in pursuit of its business objectives and risk-taking strategies are used as a basis for setting market risk appetite for the Group. • Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Group's market risk policies, which are reviewed and concurred by the Group Asset and Liability Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board. • Regular market risk stress tests are conducted on the trading book to measure the loss vulnerability under stressed market conditions.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
LIQUIDITY RISK Liquidity Risk is the risk of loss resulting from the unavailability of sufficient funds to fulfill financial commitments, including customers' liquidity needs, as they fall due. Liquidity Risk also includes the risk of not being able to liquidate assets in a timely manner.	• The Group adopts a prudent liquidity management that includes establishing comprehensive policies and procedures, risk controls, reviews and monitoring. The liquidity risk policies and governance are reviewed by Group ALCO, endorsed by the BRMC and approved by the Board. • The key elements of liquidity risk management includes proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow. • The Group also designs and conducts regular stress test programmes in accordance with the board-approved risk appetite and risk management policies. The appropriate management action plans would be developed and recommended to the Board if there is any potential vulnerabilities identified during the stress test exercise.
IT & CYBER RISK Information Technology Risk is the risk of technological failure which may disrupt business operations such as system defects or service outages. This also includes cyber security risk, which is the risk of possible threat that might exploit a vulnerability to breach system security and therefore cause possible harm.	• New technology initiatives are subjected to a rigorous evaluation process which assesses the potential risks and readiness of the initiative prior to its implementation. • The Group performs continuous monitoring on system performance to ensure minimal system disruption, while ensuring that redundancies in IT infrastructure and Disaster Recovery Plans are regularly tested. • In addition to continuously improving the Group's cyber resilience by upgrading technology capabilities to mitigate cyber threats, cyber risks are also managed by closely monitoring key risk metrics and progressively enhancing its cyber threat intelligence gathering capabilities to improve the Group's situational awareness. • Management oversight on IT and cyber risk management matters are effected through the IT Steering Committee ("ITSC") and Information Security Governance Council ("ISGC") whilst Board oversight is effected through the BRMC.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

a) Risk Management (continued)

HONG LEONG BANKING GROUP'S KEY RISKS	
Type of Risk	**Mitigating Actions Taken / Strategy**
REGULATORY COMPLIANCE RISK Regulatory Compliance Risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation as a result of failure to comply with laws and regulations.	• The Group undertakes robust monitoring of developments in laws and regulations and assesses its impact to its processes, where applicable. The assessments are undertaken to identify gaps in existing processes so that actions are taken within defined timeframes to ensure that the Group is in compliance.
ENVIRONMENTAL RISK Environmental risk is actual or potential threat of adverse effects on living organisms and environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organization's activities. In our particular case, given our role in the economy, in addition to our own activities, we are cognisant of the fact that people and companies we do business with also have an impact on the environment, and hence, ensure that our lending and procurement policies, for example, take this risk into account.	• The Group has policies, principles and codes of conduct to ensure the interests of the Bank are aligned with the interests of stakeholders on responsible lending/ financing. These include assessments to screen for and review environmental and social risks, financial evaluation of existing and potential customers, and the provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system. • We have credit policies that require sales and credit staff to review the borrowers' compliance with applicable environmental and social laws and review of the same at annual reviews of loan/financing facilities to ensure ongoing compliance. • The Group manages environmental footprint through reduction of waste (such as paper and water) and efficient usage of energy. • The Group has an Independent Tender Review Committee that assesses diligence reviews of suppliers' across a number of risks, not just financial strength and operational performance. We take into account considerations on environment and social track record and policies, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.

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

III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

b) Basel II and III

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

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

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

c) Internal Audit

The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the financial services group. GIAD regularly reviews the critical operations (as defined in BNM Guidelines on Internal Audit Function of Licensed Institutions) and critical controls in the Information Technology environment (as outlined in BNM GPIS) of the Group to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by GIAD are reported to the BAC. Follow-up actions and the review of the status of corrective action plans are carried out by Management via the RCGC chaired by the Group Managing Director / Chief Executive Officer, whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.

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

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

- The Board receives and reviews regular reports from Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.

- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by GIAD, external auditors and regulatory authorities.

- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.

- Policies and procedures are set out in operation manuals and disseminated throughout the organisation in support of a learning culture, so as to reinforce an environment of internal controls discipline.

- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply with internal controls.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

IV. ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurances from the Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and Chief Compliance Officer that the Group's risk management and internal control system are operating adequately and effectively.

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

V. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

K. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of the financial year and of its financial results and cash flows of the Group and of the Bank for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Bank for the FYE 2019, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

Directors' Report

for the financial year ended 30 June 2019

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 2019.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of the significant subsidiary consists of Islamic Banking services. Other subsidiary companies are primarily engaged in property investment and management, investment holding and nominee services. The details of the subsidiary companies are disclosed in Note 16 to the financial statements.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy is expected to expand at a slightly softer pace in 2019, tracking softer growth momentum in the world economy as protracted trade tension takes a toll on global growth prospects. Domestic demand will remain the key growth pillar despite challenges of slower investment activities. The private sector, notably private consumption, is expected to register continued moderate growth underpinned by a steady labour market. The financial markets are expected to be characterized by continued volatility primarily under the influence of external newsflows but overall financial and banking system strength will enable the Malaysian economy to weather any undesirable shocks.

Executing our digital strategy remains a key priority in enhancing our digital offerings and transforming our products and services to better fit customer needs. We will continue to grow our domestic franchise and regional business by leveraging on our branch footprint and improved digital capabilities. We strive to continue leading the digital and innovation space by providing best-in-class experience and re-imagine banking through different customer journeys.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The world economy is expected to regain some ground in 2020, driven by improving prospects in emerging economies as the major economies are expected to see further moderation, potentially still struggling to recover from the slowdown experienced in 2019.

On the back of a still fragile macro backdrop, the Malaysian economy is expected to maintain a reasonable growth path in 2020, supported by domestic demand and domestic investments. A steady labour market, and accommodative monetary policy are expected to support private consumption as well as promote business investments, hence, supporting overall economic growth.

Despite the challenging operating environment ahead, we remain steadfast in our vision to build a highly digital and innovative ASEAN financial services institution. In order to deliver on the vision, we have put plans in place, and will continue to do so, to ensure that we attain our aspiration to be digital at the core. We thrive when our clients succeed, and being customer centric in all that we do is central to our strategy. We want to provide existing and new clients with simple and relevant products, personal and fair banking while providing our people with the best opportunities to realize their full potential. Our digital transformation journey will give us new growth opportunities while transforming our cost structure, enabling us to achieve continuous growth and sustainable returns to our stakeholders.

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 2019

CREDIT INFORMATION RATING

On 10 December 2018, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term rating to AAA and short-term rating at P1, with a stable outlook.

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

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

Rating Agency	Date Accorded	Rating Classification
Rating Agency Malaysia Berhad	10 December 2018	Long-Term Rating: AAA Short-Term Rating: P1 Subordinated Notes: AA1 Tier 1 Capital Securities: AA2
Moody's Investors Services Ltd	25 January 2019	Long-Term Rating: A3 Short-Term Rating: P2
Fitch Ratings Ltd	22 July 2019	Long-Term Rating: A- Short-Term Rating: F2

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation	3,186,020	2,385,907
Taxation	(521,513)	(458,996)
Net profit for the financial year	2,664,507	1,926,911

DIVIDENDS

Since the last financial year ended 30 June 2018, a final single tier dividend of 32.0 sen per share amounting to RM654,665,611 in respect of the financial year ended 30 June 2018, was paid on 22 November 2018.

An interim single tier dividend for the financial year ended 30 June 2019 of 16.0 sen per share amounting to RM327,390,165 was paid on 27 March 2019.

The Directors now propose a final single tier dividend of 34.0 sen per share on the Bank's adjusted total number of issued shares (excluding 81,101,700 treasury shares held pursuant to Section 127 of the Companies Act 2016 and Executive Share Scheme of 40,182,412 shares) amounting to RM695,787,618 for the financial year ended 30 June 2019.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 56 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year are disclosed in Note 57 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no new ordinary shares or debentures issued during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(Non-Independent Executive Director)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
Ms Lim Lean See	(Independent Non-Executive Director) (Retired on 5 May 2019)
Ms Chok Kwee Bee	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	(Independent Non-Executive Director)
YBhg Datuk Dr Md Hamzah bin Md Kassim	(Independent Non-Executive Director)
Ms Chong Chye Neo	(Independent Non-Executive Director) (Appointed with effect from 21 February 2019)

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 42 to the financial statements.

Directors' Report
for the financial year ended 30 June 2019

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Bank and/or its related corporations during the financial year are as follows:

	Directors' direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/ nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes /subordinated sukuk murabahah****				
	Nominal value per share	As at 01.07.2018	Acquired	Sold	As at 30.06.2019
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	390,000	-	-	390,000
Hong Leong Financial Group Berhad	(1)	5,438,664	-	-	5,438,664
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(2)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	(1)	19,506,780	-	-	19,506,780
GL Limited	USD0.20	735,000	-	-	735,000
The Rank Group Plc	GBP13 8/9p	285,207	-	-	285,207
Interests of Tan Kong Khoon in:					
Hong Leong Financial Group Berhad		8,000,000*	-	-	8,000,000*
Interests of Mr Kwek Leng Hai in:					
Hong Leong Company (Malaysia) Berhad	(1)	420,500	-	-	420,500
Hong Leong Industries Berhad	(1)	190,000	-	-	190,000
Hong Leong Financial Group Berhad	(1)	2,526,000	-	-	2,526,000
Hong Leong Bank Berhad	(1)	5,510,000	-	-	5,510,000
Hume Industries Berhad	(1)	205,200	-	-	205,200
Guoco Group Limited	USD0.50	3,800,775	-	-	3,800,775
GuocoLand Limited	(2)	35,290,914	-	-	35,290,914
Lam Soon (Hong Kong) Limited	(5)	2,300,000	-	-	2,300,000
GuocoLand (Malaysia) Berhad	(1)	226,800	-	-	226,800
Malaysian Pacific Industries Berhad	(1)	71,250	-	-	71,250
The Rank Group Plc	GBP13 8/9p	1,026,209	-	-	1,026,209
GL Limited	USD0.20	-	300,000	-	300,000
Interests of YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah in:					
Hong Leong Financial Group Berhad	(1)	10,000	-	(10,000)	-
		250,000***	-	-	250,000***

DIRECTORS' INTERESTS (CONTINUED)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/ nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes /subordinated sukuk murabahah****				
	Nominal value per share	As at 01.07.2018	Acquired	Sold	As at 30.06.2019
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	7,651,455(6)	-	-	7,651,455(6)
Hong Leong Financial Group Berhad	(1)	896,158,726(6)	-	(1,440,000)(6)	894,718,726(6)
Hong Leong Capital Berhad	(1)	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	(1)	1,346,237,169	-	-	1,346,237,169
		400,000,000***	400,000,000***	-	800,000,000***
		500,000,000****	1,000,000,000****	-	1,500,000,000****
Hong Leong MSIG Takaful Berhad	(1)	65,000,000	65,000,000	-	130,000,000
Hong Leong Assurance Berhad	(1)	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad		400,000,000***	-	-	400,000,000***
		-	400,000,000****	-	400,000,000****
Hong Leong Industries Berhad	(1)	242,700,470(6)	17,000	(17,000)	242,700,470(6)
Hong Leong Yamaha Motor Sdn Bhd	(1)	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	(1)	19,600,000	-	-	19,600,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	(1)	6,545,001	-	(6,545,001)(8)	-
Varinet Sdn Bhd (In members' voluntary liquidation)	(1)	10,560,627	-	(10,560,627)(8)	-
Malaysian Pacific Industries Berhad	(1)	108,715,257	138,200	-	108,853,457
Carter Resources Sdn Bhd	(1)	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	(1)	84,000,000	-	-	84,000,000
	(1)	22,400(7)	-	-	22,400(7)
Hume Industries Berhad	(1)	350,231,658(6)	-	-	350,231,658(6)
		-	195,510,374**(6)	-	195,510,374**(6)
		100,000*(6)	3,800,000	(70,000)*(6)(9)	3,830,000*(6)
Guoco Group Limited	USD0.50	237,124,930	-	-	237,124,930
GuocoLand Limited	(2)	817,946,030(6)	147,000*(6)(10)	-	818,093,030(6)
		385,000*(6)	-	(147,000)*(6)(10)	238,000*(6)
Southern Steel Berhad	(1)	292,169,709	-	-	292,169,709
	(1)	140,076,337**	-	-	140,076,337**
Southern Pipe Industry (Malaysia) Sdn Bhd	(1)	124,964,153	-	-	124,964,153
TPC Commercial Pte. Ltd.	(2)	189,600,000	-	-	189,600,000
TPC Hotel Pte. Ltd.	(2)	62,400,000	-	-	62,400,000
Wallich Residence Pte. Ltd.	(2)	24,000,000	-	-	24,000,000
GLL A Pte. Ltd.	(2)	10	-	-	10

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for the financial year ended 30 June 2019

DIRECTORS' INTERESTS (CONTINUED)

	Nominal value per share	As at 01.07.2018	Acquired	Sold	As at 30.06.2019
	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/ nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes /subordinated sukuk murabahah****				
	RM (unless indicated)				
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
GLL Chongqing 18 Steps Pte. Ltd. (formerly known as GLL Chengdu Pte Ltd)	(2)	149,597,307	-	-	149,597,307
Guoco Midtown Pte. Ltd. (formerly known as GLL Prosper Pte Ltd)	(2)	184,000,000	-	-	184,000,000
Midtown Bay Pte. Ltd. (formerly known as GLL Thrive Pte Ltd)	(2)	32,000,000	-	-	32,000,000
GGL Asset Management (Singapore) Pte Ltd	(2)	1,700,000	-	-	1,700,000
Hillcrest Hives Limited		-	700	-	700
Beijing Ming Hua Property Co., Ltd	(3)	150,000,000	-	(146,250,000)(11)	3,750,000
Shanghai Xinhaojia Property Development Co., Ltd	(3)	3,150,000,000	-	(2,835,000,000)(11)	315,000,000
Shanghai Xinhaozhong Holding Co., Ltd	(3)	490,000	-	-	490,000
JB Parade Sdn Bhd	(1)	28,000,000	-	-	28,000,000
	(1)	97,390,000(7)	-	-	97,390,000(7)
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	(1)	455,574,796	-	-	455,574,796
Guoman Hotel & Resort Holdings Sdn Bhd	(1)	277,000,000	-	-	277,000,000
GLM Emerald Industrial Park (Jasin) Sdn Bhd	(1)	34,408,000	-	-	34,408,000
	(1)	123,502,605(7)	-	-	123,502,605(7)
GL Limited	USD0.20	925,753,134	29,258,200(6)	-	955,011,334(6)
		100,000*(6)	900,000*(6)	(70,000)*(6)(9)	930,000*(6)
The Rank Group Plc	GBP13 8/9p	219,282,221	-	-	219,282,221
Interests of YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah in:					
Hong Leong Financial Group Berhad	(1)	10,000	-	(10,000)	-

Notes:
(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act, 2016
(2) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
(3) Capital contribution in RMB
(4) Capital contribution in HKD
(5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
(6) Inclusive of interest pursuant to Section 59(11)(c) of the Companies Act, 2016 in shares held by family member
(7) Redeemable Preference Shares/Cumulative Redeemable Preference Shares
(8) Dissolved during the financial year
(9) Share options lapsed
(10) Exercise of share options
(11) Share reduction

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the share options granted pursuant to the Executive Share Scheme.

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2019 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2019.

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

EXECUTIVE SHARE SCHEME

The Bank has established and implemented an Executive Share Scheme ("ESS").

The ESS of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme ("ESOS") and the Executive Share Grant Scheme ("ESGS").

(i) ESOS

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

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

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the HLB Group to participate in the equity of the Bank.

Directors' Report
for the financial year ended 30 June 2019

EXECUTIVE SHARE SCHEME (CONTINUED)

(ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

The ESGS would provide the Bank with the flexibility to reward the eligible executives of the HLB Group for their contribution with awards of the Bank's shares without any consideration payable by the eligible executives.

At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS established by the Bank which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank at any one time ("Schemes Aggregate Maximum Allocation").

(i) ESOS

There were 37,550,000 share options granted at an exercise price of RM14.24 under the ESOS 2013/2023 of the Bank on 2 April 2015.

Arising from the completion of the Bank's Rights Issue on 28 December 2015, the exercise price for the share options granted on 2 April 2015 under the ESOS was adjusted from RM14.24 to RM13.77 and additional share options of 782,657 were allotted to the option holders, in accordance with the provisions of the bye-laws governing the ESOS.

On 15 December 2017, the Bank has granted up to 22,750,000 share options at on exercise price of RM16.46.

There were no options granted under the ESOS of the Bank during the financial year ended 30 June 2019.

As at the financial year ended 30 June 2019, a total of 40,495,153 share options lapsed primarily arising from the resignation of some option holders.

As at 30 June 2019, a total of 61,082,657 share options had been granted under the ESOS, out of which 20,325,861 share options (adjusted following the completion of the Bank's Rights Issue) remain outstanding. 261,643 share options were exercised during the financial year ended 30 June 2019. The aggregate share options granted to Directors and chief executives of the HLB Group under the ESOS amounted to 19,326,399, out of which 8,000,000 share options remain outstanding.

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

As at 30 June 2019, the actual percentage of options granted to Directors and senior management of the HLB Group under the ESOS was 2.33% of the total number of issued shares (excluding treasury shares) of the Bank. During the financial year ended 30 June 2019, there is no option granted to the directors and senior management of the HLB Group.

(ii) ESGS

The Bank had granted 267,379 ordinary shares under the ESGS amounting to 0.01% of the total number of issued shares (excluding treasury shares) of the Bank to the chief executive of the Bank during the financial year ended 30 June 2019.

As at 30 June 2019, a total of 1,286,905 ordinary shares had been granted under the ESGS amounting to 0.06% of the total number of issued shares (excluding treasury shares) to the chief executive of the Bank, out of which 718,845 ordinary shares had been vested, with 568,060 ordinary shares remain outstanding.

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

EXECUTIVE SHARE SCHEME (CONTINUED)

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

For further details on the ESS, refer to Note 58 to the financial statements on Equity Compensation Benefits.

STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

(I) As at the end of the financial year

(a) Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and

(ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

(b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) From the end of the financial year to the date of this report

(a) The Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank, inadequate to any substantial extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and the Bank misleading; and

(iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

(b) In the opinion of the Directors:

(i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2019 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.

Directors' Report
for the financial year ended 30 June 2019

STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (CONTINUED)

(III) As at the date of this report

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

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

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

DISCLOSURE OF SHARIAH COMMITTEE

The Group's Islamic banking activity is subject to the Shariah compliance and confirmation by the Shariah Committee consisting of 5 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and approved by BNM.

The primary role of the Shariah Committee is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.

HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively. Both companies are incorporated in Malaysia.

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 38 to the financial statements.

AUDITORS

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

This report was approved by the Board of Directors on 11 September 2019. Signed on behalf of the Board of Directors:

Tan Kong Khoon

Chok Kwee Bee

Kuala Lumpur
11 September 2019

Statements of Financial Position

as at 30 June 2019

		The Group		The Bank	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	3	**4,855,456**	6,472,405	**4,383,074**	5,550,388
Deposits and placements with banks and other financial institutions	4	**1,291,416**	2,796,480	**1,465,940**	2,705,522
Financial assets at fair value through profit or loss	5	**12,131,033**	-	**11,615,738**	-
Financial assets held-for-trading	6	**-**	5,969,872	**-**	5,619,035
Financial investments at fair value through other comprehensive income	7	**23,854,510**	-	**20,745,998**	-
Financial investments available-for-sale	8	**-**	31,862,936	**-**	29,018,580
Financial investments at amortised cost	9	**15,153,199**	-	**10,894,505**	-
Financial investments held-to-maturity	10	**-**	14,436,945	**-**	10,906,565
Loans, advances and financing	11	**136,308,217**	128,059,105	**108,934,970**	104,274,903
Other assets	12	**1,196,981**	780,069	**1,146,282**	686,696
Derivative financial instruments	13	**528,256**	918,067	**522,995**	932,926
Amount due from subsidiaries	14	**-**	-	**13,095**	43,563
Statutory deposits with Central Banks	15	**4,588,833**	4,312,482	**3,564,423**	3,453,017
Subsidiary companies	16	**-**	-	**2,558,337**	2,157,132
Investment in joint venture	17	**-**	179,426	**-**	76,711
Investment in associated companies	18	**4,106,375**	3,651,091	**971,182**	946,525
Property and equipment	19	**1,382,572**	1,414,975	**761,639**	782,853
Intangible assets	20	**125,225**	152,541	**110,895**	137,166
Goodwill	21	**1,831,312**	1,831,312	**1,771,547**	1,771,547
Deferred tax assets	22	**16,030**	53,067	**-**	47,908
Total assets		**207,369,415**	202,890,773	**169,460,620**	169,111,037
Liabilities					
Deposits from customers	23	**163,070,294**	157,414,095	**131,396,525**	129,583,425
Investment accounts of customers	24	**2,235**	-	**-**	-
Deposits and placements of banks and other financial institutions	25	**7,358,424**	7,237,434	**7,204,934**	7,245,854
Obligations on securities sold under repurchase agreements		**2,333,916**	3,831,869	**2,333,916**	3,805,119
Bills and acceptances payable		**393,023**	544,451	**362,578**	506,971
Other liabilities	26	**4,881,745**	4,719,446	**4,290,076**	3,932,169
Derivative financial instruments	13	**678,637**	1,020,196	**675,042**	983,680
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")	27	**253,591**	202,952	**202,954**	202,952
Tier 2 subordinated bonds	28	**1,502,340**	2,902,908	**1,502,340**	2,502,278
Multi-currency Additional Tier 1 capital securities	29	**806,185**	401,192	**806,185**	401,192
Innovative Tier 1 capital securities	30	**512,268**	512,352	**512,268**	512,352
Provision for taxation		**95,864**	211,619	**42,152**	171,958
Deferred tax liabilities	22	**6,506**	-	**6,506**	-
Total liabilities		**181,895,028**	178,998,514	**149,335,476**	149,847,950
Equity					
Share capital	31	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Reserves	32	**18,463,141**	16,885,463	**13,113,898**	12,256,291
Less: Treasury shares	33	**(727,817)**	(732,267)	**(727,817)**	(732,267)
Total equity		**25,474,387**	23,892,259	**20,125,144**	19,263,087
Total equity and liabilities		**207,369,415**	202,890,773	**169,460,620**	169,111,037
Commitments and contingencies	47	**162,168,169**	167,840,081	**152,997,021**	162,664,431

The accompanying notes form an integral part of the financial statements

Statements of Income

for the financial year ended 30 June 2019

		The Group		The Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	34a	**6,284,861**	6,357,559	**6,165,814**	6,269,327
Interest income for financial assets at fair value through profit or loss	34b	**397,201**	-	**397,201**	-
Interest expense	35	**(3,917,897)**	(3,464,439)	**(3,877,566)**	(3,428,214)
Net interest income		**2,764,165**	2,893,120	**2,685,449**	2,841,113
Income from Islamic Banking business	36	**707,269**	646,064	**-**	-
		3,471,434	3,539,184	**2,685,449**	2,841,113
Non-interest income	37	**1,254,401**	1,300,381	**1,479,658**	1,499,585
Net income		**4,725,835**	4,839,565	**4,165,107**	4,340,698
Overhead expenses	38	**(2,091,575)**	(2,060,449)	**(1,822,227)**	(1,797,248)
Operating profit before allowances		**2,634,260**	2,779,116	**2,342,880**	2,543,450
(Allowance for)/written back of impairment losses on loans, advances and financing	39	**(12,323)**	(76,651)	**43,711**	(32,649)
Written back of/(allowance for) impairment losses on financial investments and other financial assets	40	**972**	7,131	**(684)**	7,131
		2,622,909	2,709,596	**2,385,907**	2,517,932
Share of results of joint venture	17	**-**	20,548	**-**	-
Share of results of associated companies	18	**563,111**	516,111	**-**	-
Profit before taxation		**3,186,020**	3,246,255	**2,385,907**	2,517,932
Taxation	43	**(521,513)**	(608,177)	**(458,996)**	(545,521)
Net profit for the financial year		**2,664,507**	2,638,078	**1,926,911**	1,972,411
Attributable to:					
Owners of the parent		**2,664,507**	2,638,078	**1,926,911**	1,972,411
Earnings per share for profit attributable to owners of the parent (sen):					
- basic	44	**130.2**	129.0	**94.2**	96.4
- diluted	44	**130.0**	128.7	**94.0**	96.3

The accompanying notes form an integral part of the financial statements

Statements of Comprehensive Income

for the financial year ended 30 June 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Bank 2019 RM'000	The Bank 2018 RM'000
Net profit for the financial year		**2,664,507**	2,638,078	**1,926,911**	1,972,411
Other comprehensive income/(loss) in respect of:					
(i) Item that will not be reclassified to profit or loss:					
Equity instruments at fair value through other comprehensive income					
- Net fair value changes		**11,796**	-	**11,796**	-
- Net gain on disposal		**108**	-	**108**	-
(ii) Items that may be reclassified subsequently to profit or loss:					
(a) Share of other comprehensive income/(loss) of associated companies		**13,940**	(822)	**-**	-
(b) Currency translation differences		**(25,307)**	(325,017)	**33,745**	(57,408)
(c) Debt instruments at fair value through other comprehensive income					
- Net fair value changes	45	**322,192**	-	**275,892**	-
- Changes in expected credit losses	45	**(862)**	-	**(931)**	-
(d) Net fair value changes in financial investments available-for-sale	45	**-**	(348,012)	**-**	(333,392)
(e) Net fair value changes in cash flow hedge	45	**(4,531)**	2,398	**(4,531)**	2,398
Income tax relating to components of other comprehensive (income)/loss	45	**(70,629)**	170,034	**(59,008)**	166,510
Other comprehensive income/(loss) for the financial year, net of tax		**246,707**	(501,419)	**257,071**	(221,892)
Total comprehensive income for the financial year		**2,911,214**	2,136,659	**2,183,982**	1,750,519
Attributable to:					
Owners of the parent		**2,911,214**	2,136,659	**2,183,982**	1,750,519

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2019

The Group	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserves^ RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
		Attributable to owners of the parent					
At 1 July 2018		7,739,063	(732,267)	752,939	947,991	15,184,533	23,892,259
- effect of adopting MFRS 9	59	-	-	(4,280)	(288,588)	(75,481)	(368,349)
As restated		7,739,063	(732,267)	748,659	659,403	15,109,052	23,523,910
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,664,507	2,664,507
Share of other comprehensive income of associated company		-	-	-	13,940	-	13,940
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	11,796	-	11,796
- Net gain on disposal		-	-	-	(51)	159	108
- Debt instruments	45						
- Net fair value changes		-	-	-	250,590	-	250,590
- Changes in expected credit losses		-	-	-	(862)	-	(862)
Net fair value changes in cash flow hedge	45	-	-	-	(3,558)	-	(3,558)
Currency translation differences		-	-	-	(25,307)	-	(25,307)
Total comprehensive income		-	-	-	246,548	2,664,666	2,911,214
Transactions with owners							
Transfer to regulatory reserve		-	-	109,656	-	(109,656)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2018	46	-	-	-	-	(654,666)	(654,666)
- interim dividend for the financial year ended 30 June 2019	46	-	-	-	-	(327,390)	(327,390)
ESS exercised		-	4,450	-	(5,253)	4,406	3,603
Option charge arising from ESS granted		-	-	-	17,716	-	17,716
Total transactions with owners		-	4,450	109,656	12,463	(1,087,306)	(960,737)
At 30 June 2019		7,739,063	(727,817)	858,315	918,414	16,686,412	25,474,387

* Treasury shares consist of two categories which are detailed in Note 33

^ Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM847,070,000 (30 June 2018: RM741,694,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2018: RM11,245,000)

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2019

The Group	Note	Share capital RM'000	Treasury shares* RM'000	Regulatory reserves^ RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
		Attributable to owners of the parent					
At 1 July 2017		7,739,063	(733,961)	678,483	1,441,246	13,560,582	22,685,413
Comprehensive income							
Net profit for the financial year		-	-	-	-	2,638,078	2,638,078
Share of other comprehensive loss of associated company		-	-	-	(822)	-	(822)
Net fair value changes in financial investments available-for-sale	45	-	-	-	(177,480)	-	(177,480)
Net fair value changes in cash flow hedge	45	-	-	-	1,900	-	1,900
Currency translation differences		-	-	-	(325,017)	-	(325,017)
Total comprehensive (loss)/income		-	-	-	(501,419)	2,638,078	2,136,659
Transactions with owners							
Transfer to retained profits		-	-	-	-	-	-
Transfer to regulatory reserve		-	-	74,456	-	(74,456)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2017	46	-	-	-	-	(613,680)	(613,680)
- interim dividend for the financial year ended 30 June 2018	46	-	-	-	-	(327,333)	(327,333)
ESS exercised		-	1,694	-	(3,036)	1,342	-
Option charge arising from ESS granted		-	-	-	11,200	-	11,200
Total transactions with owners		-	1,694	74,456	8,164	(1,014,127)	(929,813)
At 30 June 2018		7,739,063	(732,267)	752,939	947,991	15,184,533	23,892,259

* Treasury shares consist of two categories which are detailed in Note 33

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

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2019

The Bank	Note	Non-distributable Share capital RM'000	Non-distributable Treasury shares* RM'000	Non-distributable Regulatory reserves RM'000	Non-distributable Other reserves RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 July 2018		7,739,063	(732,267)	637,098	406,668	11,212,525	19,263,087
- effect of adopting MFRS 9		-	-	(32,008)	(291,679)	(37,501)	(361,188)
As restated		7,739,063	(732,267)	605,090	114,989	11,175,024	18,901,899
Comprehensive income							
Net profit for the financial year		-	-	-	-	1,926,911	1,926,911
Financial assets measured at fair value through other comprehensive income							
- Equity instruments							
- Net fair value changes		-	-	-	11,796	-	11,796
- Net gain on disposal		-	-	-	(51)	159	108
- Debt instruments	45						
- Net fair value changes		-	-	-	215,911	-	215,911
- Changes in expected credit losses		-	-	-	(931)	-	(931)
Net fair value changes in cash flow hedge	45	-	-	-	(3,558)	-	(3,558)
Currency translation differences		-	-	-	33,745	-	33,745
Total comprehensive income		-	-	-	256,912	1,927,070	2,183,982
Transactions with owners							
Transfer to regulatory reserve		-	-	90,107	-	(90,107)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2018	46	-	-	-	-	(654,666)	(654,666)
- interim dividend for the financial year ended 30 June 2019	46	-	-	-	-	(327,390)	(327,390)
ESS exercised		-	4,450	-	(5,253)	4,406	3,603
Option charge arising from ESS granted		-	-	-	17,716	-	17,716
Total transactions with owners		-	4,450	90,107	12,463	(1,067,757)	(960,737)
At 30 June 2019		7,739,063	(727,817)	695,197	384,364	12,034,337	20,125,144

* Treasury shares consist of two categories which are detailed in Note 33

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

for the financial year ended 30 June 2019

		Non-distributable				Distributable	
The Bank	**Note**	**Share capital RM'000**	**Treasury shares* RM'000**	**Regulatory reserves RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 July 2017		7,739,063	(733,961)	571,678	620,396	10,245,205	18,442,381
Comprehensive income							
Net profit for the financial year		-	-	-	-	1,972,411	1,972,411
Net fair value changes in financial investments available-for-sale	45	-	-	-	(166,384)	-	(166,384)
Net fair value changes in cash flow hedge	45	-	-	-	1,900	-	1,900
Currency translation differences		-	-	-	(57,408)	-	(57,408)
Total comprehensive (loss)/income		-	-	-	(221,892)	1,972,411	1,750,519
Transactions with owners							
Transfer to retained profits		-	-	-	-	-	-
Transfer to regulatory reserve		-	-	65,420	-	(65,420)	-
Dividends paid:							
- final dividend for the financial year ended 30 June 2017	46	-	-	-	-	(613,680)	(613,680)
- interim dividend for the financial year ended 30 June 2018	46	-	-	-	-	(327,333)	(327,333)
ESS exercised		-	1,694	-	(3,036)	1,342	-
Option charge arising from ESS granted		-	-	-	11,200	-	11,200
Total transactions with owners		-	1,694	65,420	8,164	(1,005,091)	(929,813)
At 30 June 2018		7,739,063	(732,267)	637,098	406,668	11,212,525	19,263,087

* Treasury shares consist of two categories which are detailed in Note 33

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 30 June 2019

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Profit before taxation	**3,186,020**	3,246,255	**2,385,907**	2,517,932
Adjustments for:				
Depreciation of property and equipment	**132,296**	120,812	**115,934**	102,085
Amortisation of intangible assets	**54,189**	71,841	**49,818**	67,719
Net gain on disposal of property and equipment	**(1,417)**	(2,274)	**(1,535)**	(2,283)
Net loss on disposal of intangible assets	**-**	7	**-**	7
Share of results of joint venture	**-**	(20,548)	**-**	-
Share of results of associated companies	**(563,111)**	(516,111)	**-**	-
Property and equipment written off	**7,902**	4,879	**7,460**	4,568
Intangible assets written off	**37**	21	**35**	8
Amortisation of upfront fees	**2,272**	1,619	**2,218**	1,545
Net realised gain on financial instruments:				
- financial assets at fair value through profit or loss	**(104,539)**	-	**(104,539)**	-
- financial assets held-for-trading	**-**	(10,902)	**-**	(10,902)
- derivatives financial instruments	**221,202**	(28,185)	**221,202**	(28,185)
- financial investments at fair value through other comprehensive income	**(164,261)**	-	**(164,261)**	-
- financial investments available-for-sale	**-**	(197,037)	**-**	(196,818)
- financial investments at amortised cost	**(15,902)**	-	**(15,902)**	-
- financial investments held-to-maturity	**-**	(7)	**-**	(7)
Allowances for impairment losses on loans, advances and financing	**221,296**	307,779	**144,291**	223,215
Impaired loans and financing written off	**17,679**	19,719	**14,337**	15,992
Net unrealised (gain)/loss on revaluation of financial instruments:				
- financial assets at fair value through profit or loss	**(51,544)**	-	**(51,544)**	-
- financial assets held-for-trading	**-**	2,457	**-**	2,457
- derivatives financial instruments	**(1,754)**	(109,026)	**(1,754)**	(109,026)
Net realised loss on fair value changes arising from fair value hedges	**504**	800	**504**	800
Net loss on dilution of investment in associated company	**-**	26,800	**-**	-
Net gain on divestment of joint venture	**(90,106)**	-	**(138,101)**	-
Net loss arising from fair value hedges	**305**	152	**305**	152
(Written back of)/allowance for impairment losses on financial investments and other financial assets	**(972)**	(7,131)	**684**	(7,131)
Interest expense on:				
- Recourse obligation on loans/financing sold to Cagamas	**8,239**	7,602	**7,602**	7,602
- Tier 2 subordinated bonds	**116,165**	92,268	**116,135**	92,268
- Multi-currency Additional Tier 1 capital securities	**25,347**	12,783	**25,513**	12,051
- Innovative Tier 1 capital securities	**41,053**	38,205	**41,053**	38,205

Statements of Cash Flows

for the financial year ended 30 June 2019

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income from:				
- financial investments at fair value through other comprehensive income	**(816,881)**	-	**(815,988)**	-
- financial investments available-for-sale	**-**	(742,369)	**-**	(738,767)
- financial investments at amortised cost	**(427,136)**	-	**(423,467)**	-
- financial investments held-to-maturity	**-**	(375,142)	**-**	(370,398)
- Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**(20,520)**	(11,975)
- Tier 2 subordinated sukuk murabahah	**-**	-	**(788)**	-
Dividend income from:				
- subsidiary company	**-**	-	**(20,020)**	(43,400)
- joint venture	**-**	-	**-**	(4,882)
- associated companies	**-**	-	**(174,604)**	(138,560)
- financial assets at fair value through profit or loss	**(279,533)**	-	**(279,533)**	-
- financial investments at fair value through other comprehensive income	**(203)**	-	**(203)**	-
- financial investments available-for-sale	**-**	(281,087)	**-**	(281,087)
Share option expenses	**17,716**	11,200	**17,716**	11,200
Operating profit before working capital changes	**1,534,863**	1,675,380	**937,955**	1,154,385
Decrease/(Increase) in operating assets				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	**3,682,441**	(4,044,396)	**3,382,971**	(3,958,708)
Securities purchased under resale agreements	**-**	300,880	**-**	300,880
Financial assets at fair value through profit or loss	**(651,053)**	-	**(286,784)**	-
Financial assets held-for-trading	**-**	(273,262)	**-**	(205,280)
Loans, advances and financing	**(8,811,344)**	(4,398,167)	**(5,128,811)**	(1,978,065)
Derivative financial instruments	**85,772**	3,694	**118,455**	37,948
Other assets	**(293,700)**	627,662	**(459,346)**	622,642
Amount due from subsidiaries	**-**	-	**30,468**	(30,079)
Statutory deposits with Central Banks	**(276,351)**	(574,252)	**(111,406)**	(466,470)
Increase/(Decrease) in operating liabilities				
Deposits from customers	**5,711,052**	2,350,935	**1,867,611**	(160,505)
Investment accounts of customers	**2,235**	-	**-**	-
Deposits and placements of banks and other financial institutions	**120,990**	1,750,742	**(40,920)**	1,785,778
Securities sold under repurchase agreements	**(1,497,953)**	1,002,252	**(1,471,203)**	1,003,753
Bills and acceptances payable	**(151,428)**	179,776	**(144,393)**	158,130
Derivative financial instruments	**(318,903)**	(385,456)	**(298,203)**	(379,974)
Other liabilities	**158,043**	555,146	**490,425**	343,972
Cash flows used in operations	**(705,336)**	(1,229,066)	**(1,113,181)**	(1,771,593)
Taxation paid	**(615,398)**	(660,026)	**(496,777)**	(571,611)
Net cash used in operating activities	**(1,320,734)**	(1,889,092)	**(1,609,958)**	(2,343,204)

Statements of Cash Flows
for the financial year ended 30 June 2019

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities				
Net proceeds from financial investments at fair value through other comprehensive income	**2,660,336**	-	**2,796,969**	-
Net purchases of financial investments available-for-sale	**-**	(3,617,252)	**-**	(3,530,034)
Net proceeds from financial investments at amortised cost	**937,924**	-	**1,537,556**	-
Net purchases of financial investments held-to-maturity	**-**	(994,134)	**-**	(120,309)
Proceeds from sale of intangible assets	**2**	1	**2**	1
Purchase of property and equipment	**(123,013)**	(124,689)	**(115,473)**	(119,942)
Net proceeds from sale of property and equipment	**2,066**	5,729	**1,890**	5,569
Purchase of intangible assets	**(10,918)**	(11,337)	**(9,750)**	(9,681)
Interest received from investment in Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**20,520**	10,176
Investment in Multi-currency Additional Tier 1 subordinated sukuk wakalah	**-**	-	**-**	(400,000)
Investment in Tier 2 subordinated sukuk murabahah	**-**	-	**(400,000)**	-
Investment in subordinated facilities	**-**	-	**(417)**	(16,220)
Investment in subsidiary company	**-**	-	**-**	(76,703)
Proceeds from divestment of joint venture	**60,606**	120,603	**60,606**	120,603
Dividends received from:				
- subsidiary company	**-**	-	**20,020**	43,400
- joint venture	**-**	3,563	**-**	3,563
- associated companies	**127,413**	101,111	**127,413**	101,111
- financial assets at fair value through profit or loss	**279,533**	-	**279,533**	-
- financial investments at fair value through other comprehensive income	**203**	-	**203**	-
- financial investments available-for-sale	**-**	281,087	**-**	281,087
Net cash generated from/(used in) investing activities	**3,934,152**	(4,235,318)	**4,319,072**	(3,707,379)

Statements of Cash Flows

for the financial year ended 30 June 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Bank 2019 RM'000	The Bank 2018 RM'000
Cash flows from financing activities					
Dividends paid		**(982,056)**	(941,013)	**(982,056)**	(941,013)
Cash received from ESOS exercised		**3,603**	-	**3,603**	-
Repayment of Tier 2 subordinated loan		**(2,400,000)**	-	**(2,000,000)**	-
Proceeds from debt issuance:					
- Recourse obligation on financing sold to Cagamas		**50,000**	-	**-**	-
- Tier 2 subordinated bonds		**1,000,000**	500,000	**1,000,000**	500,000
- Multi-currency Additional Tier 1 capital securities		**400,000**	400,000	**400,000**	400,000
Interest paid:					
- Recourse obligation on loans/financing sold to Cagamas		**(7,600)**	(7,576)	**(7,600)**	(7,576)
- Tier 2 subordinated bonds		**(116,937)**	(91,947)	**(116,223)**	(92,000)
- Multi-currency Additional Tier 1 capital securities		**(20,485)**	(10,984)	**(20,651)**	(10,252)
- Innovative Tier 1 capital securities		**(40,940)**	(38,431)	**(40,940)**	(38,431)
Net cash used in financing activities		**(2,114,415)**	(189,951)	**(1,763,867)**	(189,272)
Net increase/(decrease) in cash and cash equivalents		**499,003**	(6,314,361)	**945,247**	(6,239,855)
Effects of exchange rate changes		**61,425**	(111,203)	**30,828**	(55,801)
Cash and cash equivalents at the beginning of financial year		**3,963,309**	10,388,873	**3,282,694**	9,578,350
Cash and cash equivalents at the end of financial year		**4,523,737**	3,963,309	**4,258,769**	3,282,694
Cash and cash equivalents comprise the following:					
Cash and short-term funds	3	**4,855,456**	6,472,405	**4,383,074**	5,550,388
Deposits and placements with banks and other financial institutions	4	**1,291,416**	2,796,480	**1,465,940**	2,705,522
		6,146,872	9,268,885	**5,849,014**	8,255,910
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(1,623,135)**	(5,305,576)	**(1,590,245)**	(4,973,216)
		4,523,737	3,963,309	**4,258,769**	3,282,694

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

for the financial year ended 30 June 2019

An analysis of changes in liabilities arising from financing activities is as follows:

The Group	Balance at the beginning of the financial year RM'000	Cash Changes: Proceeds from issuance RM'000	Cash Changes: Repayments from redemption RM'000	Cash Changes: Interest paid RM'000	Non-Cash Changes: Accrued interest RM'000	Non-Cash Changes: Amortisation/ (accretion) RM'000	Non-Cash Changes: Other non-cash* RM'000	Balance at the end of the financial year RM'000
2019								
Recourse obligation on loans/ financing sold to Cagamas	**202,952**	**50,000**	**-**	**(7,600)**	**8,239**	**-**	**-**	**253,591**
Tier 2 subordinated bonds	**2,902,908**	**1,000,000**	**(2,400,000)**	**(116,937)**	**116,165**	**204**	**-**	**1,502,340**
Multi-currency Additional Tier 1 capital securities	**401,192**	**400,000**	**-**	**(20,485)**	**25,347**	**131**	**-**	**806,185**
Innovative Tier 1 capital securities	**512,352**	**-**	**-**	**(40,940)**	**41,053**	**1,937**	**(2,134)**	**512,268**
	4,019,404	**1,450,000**	**(2,400,000)**	**(185,962)**	**190,804**	**2,272**	**(2,134)**	**3,074,384**
2018								
Recourse obligation on loans sold to Cagamas	202,926	-	-	(7,576)	7,602	-	-	202,952
Tier 2 subordinated bonds	2,402,145	500,000	-	(91,947)	92,268	442	-	2,902,908
Multi-currency Additional Tier 1 capital securities	-	400,000	-	(10,984)	12,783	(607)	-	401,192
Innovative Tier 1 capital securities	515,623	-	-	(38,431)	38,205	1,784	(4,829)	512,352
	3,120,694	900,000	-	(148,938)	150,858	1,619	(4,829)	4,019,404

* Other non-cash item comprises changes in fair value adjustments on completion of business combination accounting as disclosed in Note 30.

Statements of Cash Flows

for the financial year ended 30 June 2019

An analysis of changes in liabilities arising from financing activities is as follows: (continued)

The Bank	Balance at the beginning of the financial year RM'000	Cash Changes: Proceeds from issuance RM'000	Cash Changes: Repayments from redemption RM'000	Cash Changes: Interest paid RM'000	Non-Cash Changes: Accrued interest RM'000	Non-Cash Changes: Amortisation/ (accretion) RM'000	Non-Cash Changes: Other non-cash* RM'000	Balance at the end of the financial year RM'000
2019								
Recourse obligation on loans sold to Cagamas	**202,952**	**-**	**-**	**(7,600)**	**7,602**	**-**	**-**	**202,954**
Tier 2 subordinated bonds	**2,502,278**	**1,000,000**	**(2,000,000)**	**(116,223)**	**116,135**	**150**	**-**	**1,502,340**
Multi-currency Additional Tier 1 capital securities	**401,192**	**400,000**	**-**	**(20,651)**	**25,513**	**131**	**-**	**806,185**
Innovative Tier 1 capital securities	**512,352**	**-**	**-**	**(40,940)**	**41,053**	**1,937**	**(2,134)**	**512,268**
	3,618,774	**1,400,000**	**(2,000,000)**	**(185,414)**	**190,303**	**2,218**	**(2,134)**	**3,023,747**
2018								
Recourse obligation on loans sold to Cagamas	202,926	-	-	(7,576)	7,602	-	-	202,952
Tier 2 subordinated bonds	2,001,642	500,000	-	(92,000)	92,268	368	-	2,502,278
Multi-currency Additional Tier 1 capital securities	-	400,000	-	(10,252)	12,051	(607)	-	401,192
Innovative Tier 1 capital securities	515,623	-	-	(38,431)	38,205	1,784	(4,829)	512,352
	2,720,191	900,000	-	(148,259)	150,126	1,545	(4,829)	3,618,774

* Other non-cash item comprises changes in fair value adjustments on completion of business combination accounting as disclosed in Note 30.

Notes to the Financial Statements

for the financial year ended 30 June 2019

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016, in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fair value through other comprehensive income financial assets, and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires Directors to exercise their 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 60.

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

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 July 2018:

* MFRS 9 'Financial Instruments'
* MFRS 15 'Revenue from Contracts with Customers'
* Amendments to MFRS 2 'Share-based Payment – Classification and Measurement of Share-based Payment Transactions'
* IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
* Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

The Group and the Bank have adopted MFRS 9 and MFRS 15 for the first time in the 2019 financial statements, which resulted in changes in accounting policies.

The Group and the Bank have applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The detailed impact of change in accounting policies arising from adoption of MFRS 9 are disclosed in Note 59 to the financial statements.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The Group and the Bank have applied MFRS 15 with the date of initial application of 1 July 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Bank apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

The adoption of MFRS 15 do not have material impact to the financial statements to the Group and the Bank as most of the revenue of the Group and the Bank are already recognised in accordance with the principles of MFRS 15. Accordingly, the cumulative effects of initial application of MFRS 15 were not recognised as an adjustment to the opening retained earnings as at 1 July 2018.

Other than MFRS 9, the adoption of other standards and amendments noted above did not have any material impact on the current period or any prior period and is not likely to affect future periods.

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective

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

* MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use ("ROU") asset is depreciated in accordance with the principle as set out in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in statements of income.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The Group and the Bank will apply this standard from its mandatory adoption date of 1 July 2019. The Group and the Bank intend to apply the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The adoption is expected to increase ROU assets and increase financial liabilities with no significant effect on net assets or retained profits of the Group and the Bank.

Notes to the Financial Statements

for the financial year ended 30 June 2019

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective (continued)

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

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

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

  IC Interpretation 23 will be applied retrospectively.

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

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

  The amendments shall be applied retrospectively.

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

  The amendments will be applied retrospectively.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

B Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank that have been issued but not yet effective (continued)

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

* Annual Improvements to MFRSs 2015 – 2017 Cycle:

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

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

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

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

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Bank.

C Changes in regulatory requirements

(i) Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks

The Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks in relation to Basel II – Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ('BNM') on 2 February 2018.

The updates focused mainly on the following changes:

* Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9 'Financial Instruments';
* Definition of General Provision and its recognition in Tier II capital;
* Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
* Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9.

Notes to the Financial Statements
for the financial year ended 30 June 2019

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

C Changes in regulatory requirements (continued)

(ii) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, BNM had issued the revised policy document on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. The revised policy document requires the banking institutions to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The financial effects of the adoption of the revised policy document are presented in Note 59.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Consolidation

(i) Subsidiaries

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(i) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses from such remeasurement are recognised in the statements of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the statements of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquirer only incorporates the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous financial year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transfer assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

Notes to the Financial Statements
for the financial year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in 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 statements of income.

Gains and losses of the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(iv) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of joint venture' in the statements of income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

(v) Associated companies

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associated company' in the statements of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

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

(vi) Loss of joint control or significant influence

When the Group ceases to equity account its joint venture or associate because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Consolidation (continued)

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

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

Investments in debt instruments issued by subsidiary companies at amortised cost are measured in accordance with Note D.

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

Interest and financing income and expense for all interest/profit bearing financial instruments are recognised within interest income and interest expense and income from Islamic Banking business in the statements of income using the effective interest/profit method. Interest/profit income from financial assets at fair value through profit or loss is disclosed as separate line item in statements of income.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or interest/profit expense over the relevant period. The effective interest/profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank take into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

Accounting policies applied from 1 July 2018

Interest/profit income is calculated by applying the effective interest/profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest/profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Accounting policies applied until 30 June 2018

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

C Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Services charges and other fee income are recognised as income when the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Recognition of fees and other income (continued)

Commitment and guarantee 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 are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income (2018: financial investments available-for-sale) are recognised as non-interest income in statements of income.

From 1 July 2018 onward, dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

Net gain or loss from disposal of financial assets at fair value through profit or loss and debt investments at fair value through other comprehensive income (2018: financial investment available-for-sale) are recognised in statements of income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

D Financial assets

Accounting policies applied from 1 July 2018

(i) Classification

From 1 July 2018, the Group and the Bank have applied MFRS 9 and classified its financial assets in the following measurement categories in accordance with MFRS 9 requirements:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The Group and the Bank reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Bank do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

Business model assessment
The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

Notes to the Financial Statements
for the financial year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(i) Classification (continued)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")
Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Bank commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Bank measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statements of income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group and the Bank classify its debt instruments:

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at amortised cost using the effective interest method. Interest/profit income from these financial assets is included in interest income and income from Islamic Banking business using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statements of income as presented in net realised gain or loss on financial instruments. Impairment losses are presented as separate line item (as per Note 39 and Note 40) in the statements of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iii) Measurement (continued)

(b) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statements of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in net realised gain or loss on financial instruments. Interest/profit income from these financial assets is included in interest income and income from Islamic Banking business using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment losses are presented as separate line item (as per Note 39) in the statements of income.

(c) Fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The Group and the Bank may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in statements of income and presented net within net unrealised gain or loss on revaluation in the period which it arises.

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value through profit or loss, except where the management has elected, at initial recognition to irrevocably designate an equity instrument at fair value through other comprehensive income. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statements of income following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to statements of income, but is to be transferred to retained profits. Dividends from such investments continue to be recognised in statements of income as other income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of equity instruments designated as financial assets at fair value through profit or loss are recognised in net unrealised gain or loss on revaluation in the statements of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Reclassification policy

Reclassification of financial assets is required when, and only when, the Group and the Bank change their business model for managing the assets. In such cases, the Group and the Bank are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

Accounting policies applied until 30 June 2018

(i) Classification

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

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

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

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(b) Loans and receivables

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

(c) Financial investments held-to-maturity

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

Accounting policies applied until 30 June 2018 (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 that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statements of income.

(iii) Subsequent measurement

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

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

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

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 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D Financial assets (continued)

Accounting policies applied until 30 June 2018 (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 designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income. Financial liabilities are de-recognised when extinguished.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

The Group and the Bank have also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 9 'Financial Instruments' as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities on different basis.

(ii) Financial liabilities at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are remeasured at amortised cost using the effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Financial liabilities (continued)

(ii) Financial liabilities at amortised cost (continued)

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptances payable, recourse obligation on loans sold to Cagamas and other financial liabilities.

(iii) Borrowings measured at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in statements of income over the period of the borrowings using the effective interest method. All other borrowing costs are recognised in statements of income in the period in which they are incurred.

Borrowings measured at amortised cost are Tier 2 subordinated bonds, Multi-currency additional Tier 1 capital securities and Innovative Tier 1 capital securities.

F Property and equipment and depreciation

Property and equipment are initially recorded at cost net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property and equipment. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. With effect from 1 June 2018, GST is reduced from 6% to 0%.

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter
Buildings on freehold land	2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Office furniture, fittings, equipment and renovations and computer equipment	10% - 33%
Motor vehicles	25%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Property and equipment and depreciation (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

G Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years to 8 years.

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the statements of income.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(iii) Other intangible assets

Other intangible assets include core deposits and customer relationships. These intangible assets were acquired in a business combination and are valued using income approach methodologies. These intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets have finite useful lives as follows:

Core deposit: 7 years
Customer relationships: 10 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Leases

(i) Finance lease

Assets purchased under lease which in substance transfers substantially all the risks and rewards of ownership of the assets to the Group or the Bank are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to statements of income.

(ii) Operating lease

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the statements of income on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

I Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statements of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount of non-financial assets (other than goodwill) is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. The liabilities in relation to tax penalties or its associated interest are included within the taxation liability on the statements of financial position and charged to the tax expense in the statements of income as under provision of prior year tax.

Current income tax expense is determined according to the tax laws enacted or substantively enacted at the end of the reporting period of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences of unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liabilities is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred income tax related to fair value remeasurement of financial instruments at fair value through other comprehensive income, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 on the adoption of MFRS 9 on 1 July 2018.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Bank document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document their assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Derivative financial instruments and hedging (continued)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold or transferred, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statements of income.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

L Currency translations

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statements of income, and other changes in the carrying amount are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Currency translations (continued)

(ii) Foreign currency transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences such as equity held at fair value through profit or loss and assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at fair value through other comprehensive income (2018: financial investments available-for-sale) are included in the fair value reserve in other comprehensive income.

(iii) Group companies

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

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to statements of income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Notes to the Financial Statements
for the financial year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group and the Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

The Group and the Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the statements of income in the financial period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Bank operates an equity-settled, share-based compensation plan for the employees of the Bank under which the Bank receives services from employees as consideration for equity instruments (options) of the Bank. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase to share options reserve within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statements of financial position date, the Bank revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the statements of income, with a corresponding adjustment to share options reserve in equity.

A trust has been set up for the Executive Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M Employee benefits (continued)

(iii) Share-based compensation (continued)

In accordance with MFRS 132 'Financial Instruments: Presentation', the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the statements of income when incurred in accordance with accounting standards.

When the options are exercised, the Bank transfers the Treasury shares for ESOS scheme to the ESOS holder. The Treasury shares and share options reserve would be adjusted against the retained earnings.

When the options are exercised, the Bank may also issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

When options are not exercised and lapsed, the share options reserve is transferred to retained earnings.

N Impairment of financial assets

Accounting policies applied from 1 July 2018

MFRS 9 introduces a new impairment model that requires the recognition of expected credit loss ("ECL"), replacing the incurred loss methodology model under MFRS 139, for all financial assets, except for financial assets classified or designated as fair value through profit or loss and equity securities classified under fair value through other comprehensive income, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include undrawn loan commitments and financial guarantees.

The Group and the Bank assess on a forward looking basis the ECL associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine the objective evidence of impairment exists, i.e. credit-impaired for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics.

The Group and the Bank have adopted the general approach for ECL.

Notes to the Financial Statements
for the financial year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach

ECL will be assessed using an approach which classified financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(a) Stage 1: 12-months ECL - not credit impaired

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

<u>Significant increase in credit risk</u>

At each reporting date, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and assessments based on the Group's and the Bank's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1 month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

<u>Definition of default and credit-impaired financial assets</u>

The definition of credit-impaired of the Group and the Bank remained the same under MFRS 139 and MFRS 9. At each reporting period, the Group and the Bank assess whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

As part of the assessment of impairment of financial assets under ECL model, the default definition, which is largely align with regulatory reporting purposes, has been applied to three main components, which is a probability of default (“PD”) model, a loss given default (“LGD”) model and exposure at default (“EAD”) model respectively.

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group and the Bank will consider factors, such as, but not limited to, rating agencies’ assessment of creditworthiness and country’s ability to access to capital markets for new debt issuance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

Measurement of ECL

ECL are measured using three main components, which include PD, LGD and EAD. These components are derived from internally developed statistical models and adjusted to reflect forward-looking information as set out below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of a financial instrument, based on conditions that exist at the reporting date and taking into consideration of future economic conditions that affect credit risk. The LGD component represents that expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with expected drawdown and utilisation of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

The measurement of ECL reflects an unbiased and probability-weighted amount that is derived by evaluating a range of possible macroeconomic outcome, the time value of money together with reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Forward looking information

The Group and the Bank have internally developed methodologies for the application of forward looking macroeconomic (“MEV”) which consist of economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEV forward looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios. No MEV was incorporated into LGD estimation due to insufficient data points and lack of solid statistical results supporting the said application.

The measurement of ECL incorporates a broad range of forward-looking information as economic inputs, such as but not limited to:

- Gross Domestic Product (“GDP”)
- Unemployment Rate
- Consumer Price Index
- House Price Index

The Group and the Bank apply three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which are backed by consensus forecast from various sources.

Best and Worst case: This represent the ‘upside’ and ‘downside’ outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

Notes to the Financial Statements

for the financial year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Accounting policies applied until 30 June 2018

(i) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of income. If a loan or financial investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment and any shortfall will be recognised to statements of income. Such loans are written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statements of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Impairment of financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

(ii) Assets classified as available-for-sale

The Group and the Bank assess at each date of the statements of financial position whether there is objective evidence that financial asset or a group of financial assets is impaired.

For debt securities, the Bank uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

O Derecognition of financial assets and financial liabilities other than on a modification

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

P Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Q Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

Notes to the Financial Statements
for the financial year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Accounting policies applied from 1 July 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

Accounting policies applied until 30 June 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with MFRS 137 'Provisions, contingent liabilities and contingent assets' and the amount initially recognised less cumulative amortisation, where appropriate.

R Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.

S Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

T Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

(i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U Cash and cash equivalents

Cash and short-term funds in the statement of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of 3 months or less.

V Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of income over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

W Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

X Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Distributions to shareholders are recognised directly in equity. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X Share capital (continued)

(iv) Purchase of own shares

The Bank has repurchased its shares and designated as treasury shares in accordance with MFRS 132 'Financial Instruments: Presentation'. Treasury shares consist of those own shares purchased pursuant to Section 127 of the Companies Act 2016 and those purchased pursuant to ESOS scheme.

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

Y 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.

Z 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AA Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

* the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares.
* by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

* the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
* the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	**1,845,729**	2,254,164	**1,563,734**	1,926,289
Money at call and deposit placements maturing within one month	**3,010,236**	4,218,241	**2,819,993**	3,624,099
	4,855,965	6,472,405	**4,383,727**	5,550,388
Less: Expected credit losses	**(509)**	-	**(653)**	-
	4,855,456	6,472,405	**4,383,074**	5,550,388

Notes to the Financial Statements

for the financial year ended 30 June 2019

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	**1,291,668**	2,595,628	**1,467,320**	2,705,522
Other financial institutions	**-**	200,852	**-**	-
	1,291,668	2,796,480	**1,467,320**	2,705,522
Less: Expected credit losses	**(252)**	-	**(1,380)**	-
	1,291,416	2,796,480	**1,465,940**	2,705,522

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market instruments				
Government treasury bills	**21,900**	-	**21,900**	-
Malaysian Government securities	**2,245,849**	-	**2,245,849**	-
Malaysian Government investment certificates	**1,824,682**	-	**1,309,387**	-
Cagamas bonds	**76,386**	-	**76,386**	-
Khazanah bonds	**136,726**	-	**136,726**	-
Other Government securities	**92,163**	-	**92,163**	-
	4,397,706	-	**3,882,411**	-
Quoted securities				
Wholesale fund/unit trust*	**7,066,213**	-	**7,066,213**	-
Foreign currency bonds in Malaysia	**60,375**	-	**60,375**	-
Foreign currency bonds outside Malaysia	**108,167**	-	**108,167**	-
	11,632,461	-	**11,117,166**	-
Unquoted securities				
Corporate bonds and sukuk	**162,134**	-	**162,134**	-
Shares in Malaysia	**305,572**	-	**305,572**	-
Redeemable preference shares	**30,866**	-	**30,866**	-
	12,131,033	-	**11,615,738**	-

* These investments were classified as financial investments available-for-sale in 2018, refer to Note 8 to the financial statements. The investments in wholesale fund/unit trust are puttable at the net asset value of the fund.

6 FINANCIAL ASSETS HELD-FOR-TRADING ("HFT")

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market instruments				
Malaysian Government securities	-	2,441,976	-	2,441,976
Malaysian Government investment certificates	-	786,622	-	635,595
Negotiable instruments of deposits	-	2,554,359	-	2,354,549
	-	5,782,957	-	5,432,120
Quoted securities				
Foreign currency bonds in Malaysia	-	40,093	-	40,093
Foreign currency bonds outside Malaysia	-	68,847	-	68,847
	-	5,891,897	-	5,541,060
Unquoted securities				
Corporate bonds and sukuk	-	45,605	-	45,605
Foreign currency bonds outside Malaysia	-	32,370	-	32,370
	-	5,969,872	-	5,619,035

Notes to the Financial Statements

for the financial year ended 30 June 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
(a) Debt instruments	23,810,179	-	20,701,667	-
(b) Equity instruments	44,331	-	44,331	-
	23,854,510	-	20,745,998	-

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Debt instruments				
Money market instruments				
Malaysian Government securities	1,420,656	-	1,420,656	-
Malaysian Government investment certificates	6,303,409	-	5,151,270	-
Negotiable instruments of deposit	1,197,900	-	899,135	-
Other Government securities	694,508	-	542,176	-
Cagamas bonds	1,311,562	-	1,045,677	-
Khazanah bonds	272,685	-	263,646	-
	11,200,720	-	9,322,560	-
Quoted securities				
Foreign currency bonds in Malaysia	1,776,207	-	1,743,093	-
Foreign currency bonds outside Malaysia	1,638,380	-	1,638,380	-
	14,615,307	-	12,704,033	-
Unquoted securities				
Malaysian Government sukuk	350,898	-	183,458	-
Corporate bonds and sukuk	7,318,697	-	6,288,899	-
Foreign currency bonds in Malaysia	973,343	-	973,343	-
Foreign currency bonds outside Malaysia	551,934	-	551,934	-
	23,810,179	-	20,701,667	-

Included in the debt instruments at FVOCI are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM2,387,337,000.

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

Movements in expected credit losses of debt instruments at FVOCI are as follows:

The Group	Note	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019					
At 1 July		-	-	-	-
Effect of adopting MFRS 9	59	2,428	-	4,453	6,881
At 1 July, as restated		2,428	-	4,453	6,881
New financial assets originated or purchased		502	-	-	502
Financial assets derecognised		(1,007)	-	(166)	(1,173)
Changes due to change in credit risk		(401)	-	-	(401)
Exchange differences		44	-	-	44
At 30 June		1,566	-	4,287	5,853

The Bank	Note	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019					
At 1 July		-	-	-	-
Effect of adopting MFRS 9	59	2,385	-	4,453	6,838
At 1 July, as restated		2,385	-	4,453	6,838
New financial assets originated or purchased		413	-	-	413
Financial assets derecognised		(994)	-	(166)	(1,160)
Changes due to change in credit risk		(392)	-	-	(392)
Exchange differences		42	-	-	42
At 30 June		1,454	-	4,287	5,741

	The Group 2019 RM'000	The Group 2018 RM'000	The Bank 2019 RM'000	The Bank 2018 RM'000
(b) Equity instruments				
Unquoted securities:				
Shares in Malaysia	44,331	-	44,331	-

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7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

At 1 July 2018, the Group and the Bank designated certain investments shown in the following table as equity instruments under FVOCI. In 2018, these investments were classified as financial investments available-for-sale as disclosed in Note 8. The FVOCI designation was made because these investments are either held for socio-economic purposes or not for trading purposes.

The Group and The Bank	Fair value RM'000	Dividend income recognised during the financial year RM'000
2019		
Securities:		
RAM Holdings Berhad	**7,444**	**203**
Payments Network Malaysia Sdn Bhd	**35,875**	**-**
Others	**1,012**	**-**
	44,331	**203**

8 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ("AFS")

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market instruments				
Malaysian Government securities	-	109,684	-	109,684
Malaysian Government investment certificates	-	4,339,789	-	3,135,157
Other Government securities	-	657,700	-	592,486
Cagamas bonds	-	1,430,259	-	1,263,793
Khazanah bonds	-	673,444	-	638,603
	-	7,210,876	-	5,739,723
Quoted securities				
Wholesale fund/unit trust	-	7,100,400	-	7,100,400
Foreign currency bonds in Malaysia	-	2,996,117	-	2,984,839
Foreign currency bonds outside Malaysia	-	1,660,272	-	1,660,272
	-	18,967,665	-	17,485,234
Unquoted securities				
Malaysian Government sukuk	-	2,385,470	-	2,024,205
Corporate bonds and sukuk	-	8,335,213	-	7,334,553
Shares in Malaysia	-	467,512	-	467,512
Foreign currency bonds in Malaysia	-	1,048,287	-	1,048,287
Foreign currency bonds outside Malaysia	-	658,789	-	658,789
	-	31,862,936	-	29,018,580

8 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ("AFS") (CONTINUED)

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

	The Group and The Bank	
	2019 RM'000	2018 RM'000
At 1 July	-	7,599
Amount written off	-	(7,599)
At 30 June	-	-

Included in the financial investments available-for-sale in 2018 are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM3,821,124,000 and RM3,794,195,000 respectively.

9 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market instruments				
Government treasury bills	53,820	-	53,820	-
Malaysian Government securities	102,105	-	102,105	-
Malaysian Government investment certificates	8,721,860	-	5,887,037	-
Khazanah bonds	304,266	-	267,837	-
Other Government securities	326,179	-	307,305	-
	9,508,230	-	6,618,104	-
Quoted securities				
Foreign currency bonds in Malaysia	845,592	-	845,592	-
Foreign currency bonds outside Malaysia	151,587	-	151,587	-
	10,505,409	-	7,615,283	-
Unquoted securities				
Malaysian Government sukuk	2,657,094	-	1,694,196	-
Corporate bonds and sukuk	1,991,703	-	1,586,027	-
	15,154,206	-	10,895,506	-
Less: Expected credit losses	(1,007)	-	(1,001)	-
	15,153,199	-	10,894,505	-

9 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in expected credit losses of financial investments at amortised cost are as follows:

The Group	Note	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019					
At 1 July		-	-	-	-
Effect of adopting MFRS 9	59	3	-	827	830
At 1 July, as restated		3	-	827	830
New financial assets originated or purchased		178	-	-	178
Exchange differences		(1)	-	-	(1)
At 30 June		180	-	827	1,007

The Bank	Note	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019					
At 1 July		-	-	-	-
Effect of adopting MFRS 9	59	-	-	827	827
At 1 July, as restated		-	-	827	827
New financial assets originated or purchased		174	-	-	174
At 30 June		174	-	827	1,001

9 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in the carrying amount of financial investments at amortised cost that contributed to changes in the expected credit losses are as follows:

The Group	Note	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019					
At 1 July					-
Effect of adopting MFRS 9	59				15,649,093
At 1 July, as restated		15,648,266	-	827	15,649,093
New financial assets originated or purchased		7,101,214	-	-	7,101,214
Financial assets derecognised		(7,602,370)	-	-	(7,602,370)
Exchange differences		33,213	-	-	33,213
Other movements		(26,944)	-	-	(26,944)
At 30 June		15,153,379	-	827	15,154,206

The Bank	Note	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019					
At 1 July					-
Effect of adopting MFRS 9	59				11,993,693
At 1 July, as restated		11,992,866	-	827	11,993,693
New financial assets originated or purchased		5,177,548	-	-	5,177,548
Financial assets derecognised		(6,281,476)	-	-	(6,281,476)
Exchange differences		33,214	-	-	33,214
Other movements		(27,473)	-	-	(27,473)
At 30 June		10,894,679	-	827	10,895,506

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10 FINANCIAL INVESTMENTS HELD-TO-MATURITY ('HTM')

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Money market instruments				
Government treasury bills	-	52,950	-	52,950
Malaysian Government securities	-	1,357,392	-	1,357,392
Malaysian Government investment certificates	-	10,914,275	-	8,083,221
Other Government securities	-	383,739	-	297,037
	-	12,708,356	-	9,790,600
Unquoted securities				
Malaysian Government sukuk	-	1,548,339	-	935,715
Corporate bonds and sukuk	-	61,435	-	61,435
Redeemable preference shares	-	30,866	-	30,866
Foreign currency bonds outside Malaysia	-	87,949	-	87,949
	-	14,436,945	-	10,906,565

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

	The Group and The Bank	
	2019 RM'000	2018 RM'000
At 1 July	-	113,844
Amount written back in respect of recoveries	-	(6,454)
Amount written off	-	(107,390)
At 30 June	-	-

11 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Overdrafts	**3,863,555**	3,794,584	**3,119,277**	3,251,673
Term loans/financing:				
- Housing and shop loans/financing	**76,495,886**	70,332,643	**61,165,045**	56,771,907
- Syndicated/term loans or financing	**11,740,501**	9,953,665	**8,717,446**	7,902,161
- Hire purchase receivables	**17,634,182**	17,229,742	**14,015,409**	13,757,021
- Other term loans/financing	**7,984,748**	7,472,341	**5,154,293**	5,272,900
Credit/charge card receivables	**3,597,974**	3,899,183	**3,597,974**	3,899,183
Bills receivable	**1,061,015**	996,560	**926,496**	880,816
Trust receipts	**421,884**	328,628	**306,390**	283,561
Claims on customers under acceptance credits	**8,029,521**	7,839,208	**7,276,246**	7,301,016
Revolving credit	**6,227,550**	6,627,619	**5,161,648**	5,169,171
Staff loans/financing	**138,753**	146,027	**132,620**	141,341
Other loans/financing	**370,814**	448,360	**370,455**	448,356
Gross loans, advances and financing	**137,566,383**	129,068,560	**109,943,299**	105,079,106
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	**3,473**	(2,553)	**3,473**	(2,540)
Allowance for impairment losses:				
- Expected credit losses	**(1,261,639)**	-	**(1,011,802)**	-
- Collective assessment allowance	**-**	(804,726)	**-**	(621,694)
- Individual assessment allowance	**-**	(202,176)	**-**	(179,969)
	(1,261,639)	(1,006,902)	**(1,011,802)**	(801,663)
Total net loans, advances and financing	**136,308,217**	128,059,105	**108,934,970**	104,274,903

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM236,439,000 (2018: RM177,874,000) and RM188,181,000 (2018: RM177,874,000) respectively.

Notes to the Financial Statements
for the financial year ended 30 June 2019

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Maturing within:				
- one year	**26,236,955**	26,653,901	**23,183,492**	23,793,306
- one year to three years	**5,914,184**	6,007,978	**4,699,471**	4,929,344
- three years to five years	**9,612,277**	9,069,429	**7,243,460**	6,997,601
- over five years	**95,802,967**	87,337,252	**74,816,876**	69,358,855
Gross loans, advances and financing	**137,566,383**	129,068,560	**109,943,299**	105,079,106

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**953,920**	597,185	**853,670**	248,848
Domestic business enterprises:				
- small and medium enterprises	**21,504,122**	20,480,084	**17,282,182**	17,433,561
- others	**19,232,651**	16,377,193	**15,751,104**	13,226,492
Government and statutory bodies	**2,037**	19,374	**41**	7,803
Individuals	**93,385,273**	84,422,878	**73,812,923**	67,261,406
Other domestic entities	**418,282**	269,937	**374,831**	207,752
Foreign entities	**2,070,098**	6,901,909	**1,868,548**	6,693,244
Gross loans, advances and financing	**137,566,383**	129,068,560	**109,943,299**	105,079,106

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate:				
- Housing and shop loans/financing	**1,641,101**	2,583,078	**1,081,501**	1,769,012
- Hire purchase receivables	**17,413,826**	16,916,260	**13,797,959**	13,444,246
- Credit card	**3,597,974**	3,899,183	**3,597,974**	3,899,183
- Other fixed rate loans/financing	**2,776,796**	2,777,605	**1,258,553**	1,381,055
Variable rate:				
- Base rate/base lending rate plus	**94,502,743**	86,079,824	**76,209,468**	71,114,897
- Cost plus	**17,017,202**	16,407,547	**13,997,844**	13,470,713
- Other variable rates	**616,741**	405,063	**-**	-
Gross loans, advances and financing	**137,566,383**	129,068,560	**109,943,299**	105,079,106

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

	The Group		The Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Purchase of securities	**808,590**	382,505	**553,613**	381,331
Purchase of transport vehicles	**17,489,088**	16,893,592	**13,829,965**	13,370,936
Residential property (housing)	**67,437,747**	61,370,372	**53,224,466**	48,915,309
Non-residential property	**16,369,237**	15,553,253	**14,144,111**	13,925,835
Purchase of fixed assets (excluding landed properties)	**988,287**	546,924	**700,315**	482,511
Personal use	**3,389,881**	3,248,454	**2,065,876**	2,170,175
Credit card	**3,597,974**	3,899,183	**3,597,974**	3,899,183
Construction	**2,006,223**	1,552,918	**1,277,523**	1,024,050
Mergers and acquisition	**312,445**	362,600	**125,522**	179,269
Working capital	**23,791,965**	23,850,860	**19,545,202**	19,761,563
Other purpose	**1,374,946**	1,407,899	**878,732**	968,944
Gross loans, advances and financing	**137,566,383**	129,068,560	**109,943,299**	105,079,106

Notes to the Financial Statements

for the financial year ended 30 June 2019

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
In Malaysia	**130,455,793**	122,542,932	**104,719,012**	99,981,335
Outside Malaysia:				
- Singapore	**5,224,287**	5,097,771	**5,224,287**	5,097,771
- Vietnam	**616,741**	405,063	**-**	-
- Cambodia	**1,269,562**	1,022,794	**-**	-
Gross loans, advances and financing	**137,566,383**	129,068,560	**109,943,299**	105,079,106

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

	The Group	The Bank
	2018 RM'000	**2018 RM'000**
At 1 July	1,203,440	1,017,982
Classified as impaired during the financial year	1,663,447	1,278,452
Reclassified as non-impaired during the financial year	(889,043)	(652,719)
Amount written back in respect of recoveries	(387,313)	(329,643)
Amount written off	(460,834)	(404,026)
Exchange difference	(4,195)	(3,813)
At 30 June	1,125,502	906,233
Gross impaired loans and financing as a % of gross loans, advances and financing	0.87%	0.86%

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	**51**	1,256	**5**	1,256
Purchase of transport vehicles	**122,105**	134,022	**90,856**	101,223
Residential property (housing)	**376,182**	352,900	**278,841**	253,976
Non-residential property	**169,127**	170,961	**161,694**	165,421
Purchase of fixed assets (excluding landed properties)	**5,325**	3,465	**5,325**	3,465
Personal use	**44,470**	46,682	**23,321**	29,519
Credit card	**32,505**	39,562	**32,505**	39,562
Construction	**17,350**	3,530	**15,583**	2,963
Working capital	**298,966**	369,990	**274,704**	306,284
Other purpose	**5,030**	3,134	**5,030**	2,564
Gross impaired loans, advances and financing	**1,071,111**	1,125,502	**887,864**	906,233

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
In Malaysia	**1,063,910**	1,112,810	**886,352**	904,839
Outside Malaysia:				
- Singapore	**1,512**	1,394	**1,512**	1,394
- Vietnam	**1,621**	3,937	**-**	-
- Cambodia	**4,068**	7,361	**-**	-
Gross impaired loans, advances and financing	**1,071,111**	1,125,502	**887,864**	906,233

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in expected credit losses for loans, advances and financing are as follows:

The Group	Note	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019					
At 1 July					1,006,902
Effect of adopting MFRS 9	59				358,235
At 1 July, as restated		418,235	487,757	459,145	1,365,137
Changes in ECL due to transfer within stages		(101,395)	(144,111)	245,506	-
Transfer to Stage 1		23,070	(22,825)	(245)	-
Transfer to Stage 2		(124,364)	219,679	(95,315)	-
Transfer to Stage 3		(101)	(340,965)	341,066	-
New financial assets originated		53,847	4,018	110	57,975
Financial assets derecognised		(34,796)	(42,683)	(29,024)	(106,503)
Changes due to change in credit risk		33,367	193,217	42,342	268,926
Amount written off		-	-	(282,501)	(282,501)
Exchange difference		457	127	1,578	2,162
Other movements		-	-	(43,557)	(43,557)
At 30 June		369,715	498,325	393,599	1,261,639
The Bank					
2019					
At 1 July					801,663
Effect of adopting MFRS 9	59				329,521
At 1 July, as restated		367,527	388,100	375,557	1,131,184
Changes in ECL due to transfer within stages		(83,815)	(119,839)	203,654	-
Transfer to Stage 1		20,745	(20,533)	(212)	-
Transfer to Stage 2		(104,503)	173,541	(69,038)	-
Transfer to Stage 3		(57)	(272,847)	272,904	-
New financial assets originated		23,715	3,426	72	27,213
Financial assets derecognised		(13,118)	(29,233)	(16,595)	(58,946)
Changes due to change in credit risk		17,052	144,082	14,631	175,765
Amount written off		-	-	(227,057)	(227,057)
Exchange difference		302	120	1,588	2,010
Other movements		-	-	(38,367)	(38,367)
At 30 June		311,663	386,656	313,483	1,011,802

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

(x) Movements in allowance for impairment on loans, advances and financing are as follows:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Collective assessment allowance				
At 1 July	**804,726**	830,067	**621,694**	666,787
Effect of adopting MFRS 9	**(804,726)**	-	**(621,694)**	-
At 1 July, as restated	**-**	830,067	**-**	666,787
Net allowances made during the financial year	**-**	299,887	**-**	224,340
Amount written off	**-**	(310,061)	**-**	(257,615)
Unwinding income	**-**	(14,475)	**-**	(11,488)
Exchange difference	**-**	(692)	**-**	(330)
At 30 June	**-**	804,726	**-**	621,694
Individual assessment allowance				
At 1 July	**202,176**	325,426	**179,969**	310,923
Effect of adopting MFRS 9	**(202,176)**	-	**(179,969)**	-
As restated	**-**	325,426	**-**	310,923
Allowances made during the financial year	**-**	63,397	**-**	50,952
Amount written back in respect of recoveries	**-**	(55,505)	**-**	(52,077)
Amount written off	**-**	(119,266)	**-**	(118,014)
Unwinding income	**-**	(7,959)	**-**	(7,951)
Exchange difference	**-**	(3,917)	**-**	(3,864)
At 30 June	**-**	202,176	**-**	179,969

Notes to the Financial Statements
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11 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xi) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 July	121,850,099	6,093,286	1,125,175	129,068,560
Total transfer within stages	(2,461,389)	1,838,959	622,430	-
Transfer to Stage 1	1,925,418	(1,935,460)	10,042	-
Transfer to Stage 2	(4,359,507)	5,294,532	(935,025)	-
Transfer to Stage 3	(27,300)	(1,520,113)	1,547,413	-
New financial assets originated	17,352,533	31,019	1,421	17,384,973
Financial assets derecognised	(4,810,831)	(331,978)	(76,519)	(5,219,328)
Changes due to change in credit risk	(2,582,661)	(832,894)	(321,424)	(3,736,979)
Amount written off	-	-	(282,811)	(282,811)
Exchange difference	344,727	4,402	2,839	351,968
At 30 June	129,692,478	6,802,794	1,071,111	137,566,383

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 July	99,378,454	4,794,746	905,906	105,079,106
Total transfer within stages	(1,804,213)	1,305,426	498,787	-
Transfer to Stage 1	1,615,819	(1,626,029)	10,210	-
Transfer to Stage 2	(3,394,845)	4,082,974	(688,129)	-
Transfer to Stage 3	(25,187)	(1,151,519)	1,176,706	-
New financial assets originated	12,489,662	24,539	1,367	12,515,568
Financial assets derecognised	(4,119,637)	(275,513)	(39,404)	(4,434,554)
Changes due to change in credit risk	(2,372,932)	(656,924)	(254,753)	(3,284,609)
Amount written off	-	-	(226,689)	(226,689)
Exchange difference	287,456	4,371	2,650	294,477
At 30 June	103,858,790	5,196,645	887,864	109,943,299

12 OTHER ASSETS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreclosed properties	**21,839**	46	**10,849**	46
Sundry debtors and other prepayments	**371,710**	204,716	**351,193**	162,716
Treasury related receivables	**242,617**	65,547	**242,617**	65,547
Cash collateral pledged for derivative transactions	**301,552**	310,933	**301,552**	310,933
Other receivables	**259,263**	198,827	**240,071**	147,454
	1,196,981	780,069	**1,146,282**	686,696

13 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group		The Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**231,307**	210,125	**218,666**	206,621
- cross currency swaps		**154,015**	252,787	**154,017**	252,787
- foreign currency forwards		**125,951**	422,115	**120,766**	416,540
- foreign currency options		**8,129**	15,973	**8,129**	15,973
- futures		**32**	634	**32**	634
- future options		**-**	587	**-**	587
- equity options		**7,814**	13,877	**7,814**	13,877
- swaption		**-**	-	**12,563**	23,938
- total return swap		**1,008**	-	**1,008**	-
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**-**	1,094	**-**	1,094
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**-**	875	**-**	875
Total derivative financial instruments assets		**528,256**	918,067	**522,995**	932,926

Notes to the Financial Statements
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13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

		The Group		The Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		**(438,543)**	(299,894)	**(439,477)**	(267,371)
- cross currency swaps		**(65,089)**	(295,892)	**(65,086)**	(295,251)
- foreign currency forwards		**(109,537)**	(343,228)	**(105,011)**	(339,877)
- foreign currency options		**(4,416)**	(12,834)	**(4,416)**	(12,834)
- futures		**(2,940)**	(4,913)	**(2,940)**	(4,913)
- equity options		**(7,814)**	(13,877)	**(7,814)**	(13,876)
- swaption		**(41,201)**	(49,135)	**(41,201)**	(49,135)
- total return swap		**(1,008)**	-	**(1,008)**	-
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	**(3,385)**	(423)	**(3,385)**	(423)
Derivatives designated as fair value hedge:					
- interest rate swaps	(b)	**(4,704)**	-	**(4,704)**	-
Total derivative financial instruments liabilities		**(678,637)**	(1,020,196)	**(675,042)**	(983,680)

(a) Cash flow hedge

The Group and the Bank's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities. The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

The hedging relationship was fully effective for the total hedging period and as of the reporting date. As such, the unrealised loss of RM2,726,000 (2018: unrealised gain of RM832,000) from the hedging relationship as disclosed in Note 32(f) were recognised through other comprehensive income.

13 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge (continued)

The cash flows of the hedging instruments and the hedged items are detailed below:

	The Group and The Bank				
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000
2019					
Cash inflows (hedging instruments)	**1,380**	**3,062**	**4,399**	**5,854**	**24,384**
Cash outflows (hedged items)	**(1,369)**	**(2,778)**	**(4,110)**	**(5,349)**	**(22,630)**
Net cash inflows	**11**	**284**	**289**	**505**	**1,754**
2018					
Cash inflows (hedging instruments)	1,380	2,770	4,239	8,382	34,814
Cash outflows (hedged items)	(1,376)	(2,524)	(3,990)	(7,879)	(32,374)
Net cash inflows	4	246	249	503	2,440

(b) Fair value hedge

The Group and the Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets due to movement in interest rates. The Group and the Bank have undertaken fair value hedges on interest rate risk of RM486,310,000 (2018: RM401,786,000) at Group and Bank respectively on certain receivables using interest rate swaps. The total fair value loss of the said interest rate swaps related to these hedges amounted to RM4,704,000 (2018: fair value gain of RM875,000) at Group and Bank, respectively.

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on hedging instruments	**6,012**	(2,505)	**6,012**	(2,505)
Loss on the hedged items attributable to the hedged risks	**(6,317)**	2,353	**(6,317)**	2,353
	(305)	(152)	**(305)**	(152)

14 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2019 **RM'000**	**2018** **RM'000**
Intercompany settlement	**13,095**	43,563

Amount due from subsidiaries is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

15 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by the Bank and its subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. A foreign subsidiary of the Group and a foreign branch of the Bank also maintained non-interest bearing statutory deposits with their respective central banks in compliance with the respective applicable legislations.

16 SUBSIDIARY COMPANIES

	The Bank	
	2019 **RM'000**	**2018** **RM'000**
Investment in subsidiary companies		
Unquoted shares, at cost:		
- in Malaysia	**963,124**	963,124
- outside Malaysia	**775,989**	775,989
	1,739,113	1,739,113
Subordinated facilities issued by subsidiary companies, at amortised cost:		
Multi-currency Additional Tier 1 subordinated sukuk wakalah financing facility issued by HLISB	**401,799**	401,799
Tier 2 subordinated sukuk murabahah financing facility issued by HLISB	**400,788**	-
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	**16,637**	16,220
	819,224	418,019
	2,558,337	2,157,132

16 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held 2019	Percentage (%) of equity held 2018	Principal activities
(a) Hong Leong Islamic Bank Berhad ("HLISB")	**100**	100	Islamic Banking business and related financial services
(b) HLB Principal Investments (L) Limited and its subsidiary company:	**100**	100	Investment holding
- Promino Sdn Bhd	**100**	100	Holding of pooled motor vehicles for HLBB group's usage
(c) EB Nominees (Tempatan) Sendirian Berhad	**100**	100	Nominees services
(d) EB Nominees (Asing) Sendirian Berhad	**100**	100	In member's voluntary liquidation
(e) EB Realty Sendirian Berhad	**100**	100	Property investment
(f) OBB Realty Sdn Bhd	**100**	100	Property investment
(g) HLF Credit (Perak) Bhd and its subsidiary companies:	**100**	100	Investment holding
(i) Gensource Sdn Bhd and its subsidiary company:	**100**	100	Investment holding
- Pelita Terang Sdn Bhd	**100**	100	Dormant
(ii) WTB Corporation Sdn Bhd	**100**	100	In member's voluntary liquidation
(iii) Chew Geok Lin Finance Sdn Bhd	**100**	100	In member's voluntary liquidation
(iv) Hong Leong Leasing Sdn Bhd*	**100**	100	Dormant
(v) HL Leasing Sdn Bhd	**100**	100	Dormant
(vi) HLB Realty Sdn Bhd	**100**	100	Property investment
(h) HLB Nominees (Tempatan) Sdn Bhd	**100**	100	Agent and nominee for Malaysian clients
(i) HLB Nominees (Asing) Sdn Bhd	**100**	100	Agent and nominee for foreign clients
(j) HL Bank Nominees (Singapore) Pte Ltd*+	**100**	100	Agent and nominee for clients
(k) HLB Trade Services (Hong Kong) Limited*+	**100**	100	Ceased operations
(l) Hong Leong Bank Vietnam Limited*+	**100**	100	Commercial banking business
(m) Hong Leong Bank (Cambodia) PLC*+	**100**	100	Commercial banking business
(n) Promilia Berhad	**100**	100	Holding of motor vehicles for HLBB group's usage
(o) DC Tower Sdn Bhd	**100**	100	Property management
(p) Unincorporated trust for ESOS Ω *	**-**	-	Special purpose vehicle

* Not audited by PricewaterhouseCoopers PLT
\+ Audited by member firm of PricewaterhouseCoopers International
Ω Deemed subsidiaries pursuant to MFRS 10 'Consolidated Financial Statements'

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd which is incorporated in Singapore, HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.

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17 INVESTMENT IN JOINT VENTURE

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Retained portion				
Unquoted shares outside Malaysia, at cost	-	24,657	-	24,657
Cumulative share of results, net of dividends received	-	26,342	-	-
Exchange fluctuation reserve	-	6,674	-	-
	-	57,673	-	24,657
Equity interest held for sale	-	121,753	-	52,054
	-	179,426	-	76,711

(a) Information about joint venture

On 1 March 2010, HLB together with Bank of Chengdu Co., Ltd. ("BOCD"), obtained operation approval from China Banking Regulatory Commission ("CBRC") for Sichuan Jincheng Consumer Finance Limited Company ("JCCFC"), a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. JCCFC focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in JCCFC. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements the Bank's strategic partnership in BOCD and affirms the Bank's vision and belief in the huge potential of China.

In March 2017, the Board of Directors has approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JCCFC and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018. The net gain on divestment of joint venture of RM90,106,000 is recognised in the Group's statements of income (refer to Note 37).

Post completion of the divestment exercise, the retained interest of 12% under the Group of RM68,782,000 and the Bank of RM24,657,000 respectively are derecognised from its investment in joint venture and classified as investment in associated companies.

17 INVESTMENT IN JOINT VENTURE (CONTINUED)

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

	The Group	
	2019 RM'000	2018 RM'000
Total assets	-	1,184,983
Total liabilities	-	(818,808)
Net assets	-	366,175

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

	The Group	
	2019 RM'000	2018 RM'000
Interest income	-	113,659
Interest expenses	-	(29,369)
Non-interest income	-	22,197
Profit before taxation	-	56,148
Profit after taxation	-	41,935
Dividend paid by the joint venture during the financial year	-	7,271

(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	
	2019 RM'000	2018 RM'000
Opening net assets as at 1 July	-	345,275
Profit for the financial year	-	41,935
Dividend paid	-	(7,271)
Exchange fluctuation reserve	-	(13,764)
Closing net assets as at 30 June	-	366,175

The information presented above is based on the financial statements of the joint venture after reflecting adjustments made by the Group when using the equity method, such as differences in accounting policies between the Group and the joint venture.

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18 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Quoted shares outside Malaysia, at cost	**938,311**	938,311	**946,505**	946,505
Unquoted shares in Malaysia, at cost	**20**	20	**20**	20
Unquoted shares outside Malaysia, at cost	**24,657**	-	**24,657**	-
Cumulative share of results, net of dividends received	**2,695,242**	2,225,589	**-**	-
Cumulative share of changes in other comprehensive income/(loss)	**13,690**	(250)	**-**	-
Exchange fluctuation reserve	**434,455**	487,421	**-**	-
	4,106,375	3,651,091	**971,182**	946,525

(a) Information about associated companies

Name	Country of incorporation	The Group Percentage (%) of equity held 2019	2018	Principal activities
Bank of Chengdu Co., Ltd. ("BOCD")	China	**18%**	18%	Commercial banking
Community CSR Sdn Bhd ("CCSR")	Malaysia	**20%**	20%	Investment holding
Sichuan Jincheng Consumer Finance Limited Company ("JCCFC")	China	**12%**	-	Consumer financing

Nature of relationship

(i) BOCD

On 25 October 2007, HLB entered into a Share Subscription Agreement with BOCD to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The Subscription enables HLB to enter into a strategic alliance with BOCD to tap into the promising and growing financial services sector of China. It will strengthen and diversify the earnings base of HLB.

On 31 January 2018, BOCD was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Bank's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20% and a dilution loss of RM26.80 million is recognised in the Group's statements of income (refer to Note 37).

The market value of BOCD's shares held by the Bank is RM3.46 billion (2018: RM3.47 billion) at RM5.32 (2018: RM5.34) per share as at 30 June 2019.

The Group deems BOCD as a material associated company.

18 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies (continued)

(i) BOCD (continued)

As at 30 June 2019, the market value of investment in BOCD was below the carrying amount. The Group has performed impairment assessment on the carrying amount of the investment in BOCD, which confirmed that no impairment is required as at 30 June 2019 as the recoverable amount as determined by a value-in-use ("VIU") calculation was higher than the carrying value. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value to exceed its recoverable amount.

The VIU calculation uses discounted cash flows projections based on BOCD management's best estimates of future earnings taking into account of past performance and BOCD's expectation of market development. This calculation uses cash flows projections being the amount attributable to the shareholders based on the budget for the financial year ending 2020 with a further projection of 4 years, which was approved by BOCD management. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 6.12% representing the forecasted Gross Domestic growth rate of the country.

The discount rate of 12.0% used in determining the recoverable amount is derived based on a capital asset pricing model calculation, using market data.

(ii) CCSR

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million of subscription of CRPS, the Bank is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, the Bank subscribed for 50 CCSR shares of RM1 each for cash at par which represent 20% equity interest of CCSR.

In November 2014, HLB subscribed to additional 19,950 CCSR Rights Issue of RM1 each.

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

(iii) JCCFC

Included in the investment in associated companies are the reclassification of the retained interest of 12% from investment in joint venture under the Group of RM68,782,000 and the Bank of RM24,657,000 respectively.

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for the financial year ended 30 June 2019

18 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

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

(i) BOCD

	The Group	
	2019 RM'000	2018 RM'000
Total assets	**324,735,826**	292,049,818
Total liabilities	**(302,292,283)**	(271,754,702)
Net assets	**22,443,543**	20,295,116

	The Group	
	2019 RM'000	2018 RM'000
Interest income	**11,914,756**	10,215,530
Interest expenses	**(5,758,006)**	(4,969,863)
Non-interest income	**1,247,857**	1,619,781
Profit before taxation	**3,358,001**	3,084,753
Profit after taxation	**3,081,834**	2,690,594
Total comprehensive income	**3,159,322**	2,686,344
Dividends paid/declared by the associated company during the financial year	**683,785**	562,040
Share of results of associated companies (%)	**18%**	18%
Share of results of associated companies (RM'000)	**554,422**	516,111
Dividends received/accrued from the associated company (RM'000)	**123,013**	101,111

(ii) JCCFC

	The Group	
	2019 RM'000	2018 RM'000
Total assets	**3,236,527**	-
Total liabilities	**(2,663,343)**	-
Net assets	**573,184**	-

18 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

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

(ii) JCCFC (continued)

	The Group	
	2019 RM'000	2018 RM'000
Interest income	**295,636**	-
Interest expenses	**(85,464)**	-
Non-interest income	**10,631**	-
Profit before taxation	**97,599**	-
Profit after taxation	**72,402**	-
Dividends paid/declared by the associated company during the financial year	**36,667**	-
Share of results of associated companies (%)	**12%**	-
Share of results of associated companies (RM'000)	**8,689**	-
Dividends received/accrued from the associated company (RM'000)	**4,400**	-

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

(i) BOCD

	The Group	
	2019 RM'000	2018 RM'000
Opening net assets as at 1 July	**20,295,116**	17,334,455
Effect arising from IPO*	**-**	1,579,992
Profit for the financial year	**3,081,834**	2,690,594
Other comprehensive profit/(loss) for the financial year	**77,488**	(4,250)
Dividends paid/declared	**(683,785)**	(562,040)
Exchange fluctuation reserve	**(327,110)**	(743,635)
Closing net assets as at 30 June	**22,443,543**	20,295,116
Interest in associated companies (%)	**18%**	18%
Interest in associated companies (RM'000)	**4,037,593**	3,651,091

* This includes issuance of additional new shares and dilution of goodwill arising from IPO.

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for the financial year ended 30 June 2019

18 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

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

(ii) JCCFC

	The Group	
	2019 RM'000	2018 RM'000
Reclassified from investment in joint venture	**364,186**	-
Effect arising from issuance of additional new shares	**189,642**	-
Profit for the financial year	**55,209**	-
Dividends paid/declared	**(36,667)**	-
Exchange fluctuation reserve	**814**	-
Closing net assets as at 30 June	**573,184**	-
Interest in associated companies (%)	**12%**	-
Interest in associated companies (RM'000)	**68,782**	-

The information presented above is based on the financial statements of the associated companies after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

The summarised financial information above represents amount shown in the material associates' financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

19 PROPERTY AND EQUIPMENT

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2019											
Cost											
At 1 July	136,194	588,360	1,693	40,825	2,233	94,838	537,140	1,033,430	7,432	67,330	2,509,475
Additions	-	-	5	-	37	-	10,246	35,669	1,255	75,801	123,013
Reclassification/Transfer	267	(848)	(606)	(620)	622	1,185	31,503	53,188	-	(100,602)	(15,911)
Disposals/Write off	-	-	-	-	(256)	-	(50,194)	(70,525)	(2,133)	(155)	(123,263)
Exchange fluctuation	-	-	-	-	-	-	727	1,941	48	23	2,739
At 30 June	136,461	587,512	1,092	40,205	2,636	96,023	529,422	1,053,703	6,602	42,397	2,496,053
Accumulated depreciation											
At 1 July	-	31,063	1,414	4,440	1,111	19,942	397,110	633,515	5,905	-	1,094,500
Charge for the financial year	-	10,330	17	445	115	1,837	33,837	85,039	676	-	132,296
Reclassification/Transfer	-	(413)	(996)	(249)	414	1,244	(702)	644	-	-	(58)
Disposals/Write off	-	-	-	-	(205)	-	(42,792)	(69,727)	(2,130)	-	(114,854)
Exchange fluctuation	-	-	-	-	-	-	350	1,197	50	-	1,597
At 30 June	-	40,980	435	4,636	1,435	23,023	387,803	650,668	4,501	-	1,113,481
Net book value as at 30 June 2019	136,461	546,532	657	35,569	1,201	73,000	141,619	403,035	2,101	42,397	1,382,572

19 PROPERTY AND EQUIPMENT (CONTINUED)

The Group	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Property work-in-progress RM'000	Total RM'000
2018												
Cost												
At 1 July	66,361	60,509	1,693	40,825	2,233	94,838	524,807	965,180	8,012	116,145	599,591	2,480,194
Additions	-	-	-	-	-	-	7,031	38,910	767	77,981	-	124,689
Reclassification/Transfer	70,500	529,091	-	-	-	-	43,693	81,974	-	(126,772)	(599,591)	(1,105)
Disposals/Write off	(667)	(1,240)	-	-	-	-	(36,619)	(48,757)	(1,264)	-	-	(88,547)
Exchange fluctuation	-	-	-	-	-	-	(1,772)	(3,877)	(83)	(24)	-	(5,756)
At 30 June	136,194	588,360	1,693	40,825	2,233	94,838	537,140	1,033,430	7,432	67,330	-	2,509,475
Accumulated depreciation												
At 1 July	-	18,449	1,407	3,976	1,066	18,042	399,547	608,351	6,259	-	-	1,057,097
Charge for the financial year	-	13,176	7	464	45	1,900	30,357	74,006	857	-	-	120,812
Disposals/Write off	-	(562)	-	-	-	-	(31,977)	(46,587)	(1,134)	-	-	(80,260)
Exchange fluctuation	-	-	-	-	-	-	(817)	(2,255)	(77)	-	-	(3,149)
At 30 June	-	31,063	1,414	4,440	1,111	19,942	397,110	633,515	5,905	-	-	1,094,500
Net book value as at 30 June 2018	136,194	557,297	279	36,385	1,122	74,896	140,030	399,915	1,527	67,330	-	1,414,975

Notes to the Financial Statements

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19 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2019											
Cost											
At 1 July	55,832	56,163	433	39,774	1,972	91,596	505,994	995,582	6,990	66,082	1,820,418
Additions	-	-	195	-	1,297	-	9,445	34,374	1,255	68,907	115,473
Reclassification/Transfer	267	(523)	-	-	256	-	29,768	51,156	-	(94,730)	(13,806)
Disposals/Write off	-	-	-	-	(256)	-	(47,895)	(69,587)	(2,133)	-	(119,871)
Exchange fluctuation	-	-	-	-	-	-	293	1,699	41	-	2,033
At 30 June	56,099	55,640	628	39,774	3,269	91,596	497,605	1,013,224	6,153	40,259	1,804,247
Accumulated depreciation											
At 1 July	-	17,054	155	4,171	997	17,989	378,287	613,314	5,598	-	1,037,565
Charge for the financial year	-	1,116	7	445	41	1,822	30,671	81,212	620	-	115,934
Reclassification/Transfer	-	(203)	-	-	203	-	(634)	634	-	-	-
Disposals/Write off	-	-	-	-	(205)	-	(40,805)	(68,916)	(2,130)	-	(112,056)
Exchange fluctuation	-	-	-	-	-	-	105	1,019	41	-	1,165
At 30 June	-	17,967	162	4,616	1,036	19,811	367,624	627,263	4,129	-	1,042,608
Net book value as at 30 June 2019	56,099	37,673	466	35,158	2,233	71,785	129,981	385,961	2,024	40,259	761,639

19 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office furniture, fittings, equipment and renovations RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
2018											
Cost											
At 1 July	56,499	57,403	433	39,774	1,972	91,596	491,161	927,589	7,663	113,994	1,788,084
Additions	-	-	-	-	-	-	6,513	38,406	649	74,374	119,942
Reclassification/Transfer	-	-	-	-	-	-	42,660	79,084	-	(122,286)	(542)
Disposals/Write off	(667)	(1,240)	-	-	-	-	(33,895)	(46,743)	(1,258)	-	(83,803)
Exchange fluctuation	-	-	-	-	-	-	(445)	(2,754)	(64)	-	(3,263)
At 30 June	55,832	56,163	433	39,774	1,972	91,596	505,994	995,582	6,990	66,082	1,820,418
Accumulated depreciation											
At 1 July	-	16,482	148	3,717	958	16,167	380,651	588,937	6,025	-	1,013,085
Charge for the financial year	-	1,134	7	454	39	1,822	27,314	70,549	766	-	102,085
Disposals/Write off	-	(562)	-	-	-	-	(29,556)	(44,702)	(1,129)	-	(75,949)
Exchange fluctuation	-	-	-	-	-	-	(122)	(1,470)	(64)	-	(1,656)
At 30 June	-	17,054	155	4,171	997	17,989	378,287	613,314	5,598	-	1,037,565
Net book value as at 30 June 2018	55,832	39,109	278	35,603	975	73,607	127,707	382,268	1,392	66,082	782,853

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20 INTANGIBLE ASSETS

The Group	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2019				
Cost or valuation				
At 1 July	**152,434**	**127,426**	**523,641**	**803,501**
Additions	**-**	**-**	**10,918**	**10,918**
Reclassification	**-**	**-**	**15,710**	**15,710**
Disposals/Write off	**-**	**-**	**(18,136)**	**(18,136)**
Exchange fluctuation	**-**	**-**	**625**	**625**
At 30 June	**152,434**	**127,426**	**532,758**	**812,618**
Amortisation and impairment				
At 1 July	**152,434**	**91,324**	**407,202**	**650,960**
Amortisation during the financial year	**-**	**12,743**	**41,446**	**54,189**
Disposals/Write off	**-**	**-**	**(18,097)**	**(18,097)**
Exchange fluctuation	**-**	**-**	**341**	**341**
At 30 June	**152,434**	**104,067**	**430,892**	**687,393**
Net book value as at 30 June 2019	**-**	**23,359**	**101,866**	**125,225**

The Group	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2018				
Cost or valuation				
At 1 July	152,434	127,426	525,424	805,284
Additions	-	-	11,337	11,337
Reclassification	-	-	755	755
Disposals/Write off	-	-	(11,807)	(11,807)
Exchange fluctuation	-	-	(2,068)	(2,068)
At 30 June	152,434	127,426	523,641	803,501
Amortisation and impairment				
At 1 July	134,286	78,581	379,094	591,961
Amortisation during the financial year	18,148	12,743	40,950	71,841
Disposals/Write off	-	-	(11,778)	(11,778)
Exchange fluctuation	-	-	(1,064)	(1,064)
At 30 June	152,434	91,324	407,202	650,960
Net book value as at 30 June 2018	-	36,102	116,439	152,541

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20 INTANGIBLE ASSETS (CONTINUED)

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2019				
Cost or valuation				
At 1 July	152,434	127,426	483,642	763,502
Additions	-	-	9,750	9,750
Reclassification	-	-	13,806	13,806
Disposals/Write off	-	-	(18,116)	(18,116)
Exchange fluctuation	-	-	31	31
At 30 June	152,434	127,426	489,113	768,973
Amortisation and impairment				
At 1 July	152,434	91,324	382,578	626,336
Amortisation during the financial year	-	12,743	37,075	49,818
Disposals/Write off	-	-	(18,079)	(18,079)
Exchange fluctuation	-	-	3	3
At 30 June	152,434	104,067	401,577	658,078
Net book value as at 30 June 2019	-	23,359	87,536	110,895

The Bank	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
2018				
Cost or valuation				
At 1 July	152,434	127,426	483,989	763,849
Additions	-	-	9,681	9,681
Reclassification	-	-	350	350
Disposals/Write off	-	-	(10,378)	(10,378)
At 30 June	152,434	127,426	483,642	763,502
Amortisation and impairment				
At 1 July	134,286	78,581	356,112	568,979
Amortisation during the financial year	18,148	12,743	36,828	67,719
Disposals/Write off	-	-	(10,362)	(10,362)
At 30 June	152,434	91,324	382,578	626,336
Net book value as at 30 June 2018	-	36,102	101,064	137,166

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.

20 INTANGIBLE ASSETS (CONTINUED)

The valuation of business banking customer relationships was determined using an income approach, specifically the multi-period excess earnings method ("MEEM"). This was done by discounting forecasted incremental customer revenues attributable solely to EON Banking Group's existing business banking customer.

Core deposits comprising savings and current accounts are low cost source of funds. The valuation of core deposits was derived using an income approach, specifically the cost savings method under the incremental cash flow method. This was done by discounting forecast net interest savings from core deposits.

The discount rate used in discounting incremental cash flows was based on the risk associated with the identified intangible assets. The remaining amortisation period of customer relationships is approximately 2 years (2018: 3 years).

21 GOODWILL

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cost				
As at 1 July/30 June	**1,831,312**	1,831,312	**1,771,547**	1,771,547

Allocation of goodwill to cash-generating units ("CGUs")

Goodwill has been allocated to the following CGUs:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personal Financial Services	**1,188,705**	1,188,705	**1,149,911**	1,149,911
Business & Corporate Banking	**479,437**	479,437	**463,791**	463,791
Global Markets	**163,170**	163,170	**157,845**	157,845
	1,831,312	1,831,312	**1,771,547**	1,771,547

Impairment test for goodwill

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, less costs of disposal. This estimate is mainly determined, on 30 June 2019, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

Value-in-use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. The recoverable amount of CGUs is determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on the budget for the financial year ending 2020, which is approved by the Board of Directors with a further projection of 4 years (2018: 4 years). Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 4.7% (2018: 4.7%) representing the forecasted Gross Domestic Product growth rate of the country for all cash generating units.

Notes to the Financial Statements

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21 GOODWILL (CONTINUED)

Impairment test for goodwill (continued)

The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2019	**2018**
	%	**%**
Personal Financial Services	**9.12**	10.04
Business & Corporate Banking	**9.12**	10.08
Global Markets	**9.12**	10.11

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2019. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value of any CGU to exceed its recoverable amount.

22 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	The Group		The Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**16,030**	53,067	**-**	47,908
Deferred tax liabilities	**(6,506)**	-	**(6,506)**	-
	9,524	53,067	**(6,506)**	47,908

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets				
- To be recovered within 12 months	**116,039**	85,532	**94,353**	83,283
- To be recovered after more than 12 months	**(106,515)**	(32,465)	**(100,859)**	(35,375)
	9,524	53,067	**(6,506)**	47,908

22 DEFERRED TAXATION (CONTINUED)

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

The Group	Note	Property and equipment RM'000	Financial instruments at FVOCI/ available-for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Expected credit losses RM'000	Provisions RM'000	Total RM'000
Deferred tax assets/ (liabilities)								
2019								
At 1 July		**(79,647)**	**43,077**	**(161)**	**(8,665)**	**-**	**98,463**	**53,067**
- Effect of adopting MFRS 9	59	**-**	**(14,080)**	**-**	**-**	**-**	**-**	**(14,080)**
At 1 July, as restated		**(79,647)**	**28,997**	**(161)**	**(8,665)**	**-**	**98,463**	**38,987**
Credited/(Charged) to statements of income	43	**6,997**	**-**	**-**	**3,059**	**73,797**	**(42,650)**	**41,203**
Credited/(Charged) to equity	45	**-**	**(71,602)**	**973**	**-**	**-**	**-**	**(70,629)**
Exchange difference		**-**	**-**	**-**	**-**	**-**	**(37)**	**(37)**
At 30 June		**(72,650)**	**(42,605)**	**812**	**(5,606)**	**73,797**	**55,776**	**9,524**
2018								
At 1 July		(94,213)	(142,097)	337	(16,079)	-	84,709	(167,343)
Credited/(Charged) to statements of income	43	14,566	14,642	-	7,414	-	14,027	50,649
Credited/(Charged) to equity	45	-	170,532	(498)	-	-	-	170,034
Exchange difference		-	-	-	-	-	(273)	(273)
At 30 June		(79,647)	43,077	(161)	(8,665)	-	98,463	53,067

Notes to the Financial Statements

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22 DEFERRED TAXATION (CONTINUED)

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

The Bank	Note	Property and equipment RM'000	Financial instruments at FVOCI/ available-for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Expected credit losses RM'000	Provisions RM'000	Total RM'000
Deferred tax assets/ (liabilities)								
2019								
At 1 July		**(75,994)**	**39,629**	**(161)**	**(8,665)**	**-**	**93,099**	**47,908**
- Effect of adopting MFRS 9	59	**-**	**(12,743)**	**-**	**-**	**-**	**-**	**(12,743)**
At 1 July, as restated		**(75,994)**	**26,886**	**(161)**	**(8,665)**	**-**	**93,099**	**35,165**
Credited/(Charged) to statements of income	43	**6,214**	**-**	**-**	**3,058**	**53,971**	**(45,906)**	**17,337**
Credited/(Charged) to equity	45	**-**	**(59,981)**	**973**	**-**	**-**	**-**	**(59,008)**
At 30 June		**(69,780)**	**(33,095)**	**812**	**(5,607)**	**53,971**	**47,193**	**(6,506)**
2018								
At 1 July		(91,221)	(142,021)	337	(16,079)	-	77,853	(171,131)
Credited/(Charged) to statements of income	43	15,227	14,642	-	7,414	-	15,246	52,529
Credited/(Charged) to equity	45	-	167,008	(498)	-	-	-	166,510
At 30 June		(75,994)	39,629	(161)	(8,665)	-	93,099	47,908

23 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amortised cost				
Fixed deposits	**91,064,010**	88,222,375	**70,785,542**	71,745,421
Negotiable instruments of deposits	**10,123,656**	6,892,073	**8,598,899**	5,394,717
Short-term placements	**17,161,123**	16,950,886	**14,131,227**	14,687,624
	118,348,789	112,065,334	**93,515,668**	91,827,762
Demand deposits	**24,018,791**	23,638,473	**20,722,461**	20,232,702
Savings deposits	**17,706,562**	17,563,850	**14,663,658**	14,657,220
Others	**891,350**	979,288	**736,729**	847,170
	160,965,492	154,246,945	**129,638,516**	127,564,854
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	**2,159,671**	3,334,428	**1,812,544**	2,132,691
Fair value changes arising from designation at fair value through profit or loss*	**(54,869)**	(167,278)	**(54,535)**	(114,120)
	2,104,802	3,167,150	**1,758,009**	2,018,571
	163,070,294	157,414,095	**131,396,525**	129,583,425

* The Group and the Bank have issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. This designation is permitted under MFRS 9 as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

The carrying amount of the structured deposits of the Group is RM41,525,000 (2018: RM150,847,000) and the Bank is RM43,318,000 (2018: RM104,426,000) lower than the contractual amount at maturity.

Notes to the Financial Statements

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23 DEPOSITS FROM CUSTOMERS (CONTINUED)

(i) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Due within:				
- six months	**95,101,452**	83,581,278	**73,557,213**	67,728,986
- six months to one year	**21,763,420**	26,159,087	**18,818,766**	21,998,104
- one year to five years	**1,440,321**	2,324,969	**1,096,093**	2,100,672
- more than five years	**43,596**	-	**43,596**	-
	118,348,789	112,065,334	**93,515,668**	91,827,762

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Government and statutory bodies	**7,415,514**	3,977,104	**4,246,520**	2,016,899
Business enterprises	**67,038,577**	62,744,665	**51,715,857**	48,300,831
Individuals	**85,518,130**	88,159,470	**73,129,569**	77,108,346
Others	**3,098,073**	2,532,856	**2,304,579**	2,157,349
	163,070,294	157,414,095	**131,396,525**	129,583,425

24 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unrestricted investment accounts	**2,235**	-	**-**	-

25 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	**7,059,886**	7,084,745	**7,059,770**	7,095,827
Licensed investment banks	**95,023**	150,027	**95,023**	150,027
Licensed Islamic banks	**140,000**	-	**-**	-
Central banks	**12,222**	-	**-**	-
Other financial institutions	**51,293**	2,662	**50,141**	-
	7,358,424	7,237,434	**7,204,934**	7,245,854

26 OTHER LIABILITIES

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Bank 2019 RM'000	The Bank 2018 RM'000
Zakat		**350**	350	**-**	-
Post employment benefits obligation					
- defined contribution plan		**300**	297	**300**	297
Loan advance payment		**3,351,885**	3,229,766	**2,691,960**	2,586,339
Interbranch clearing with subsidiary company		**-**	-	**571,263**	-
Amount due to subsidiary companies		**-**	-	**29**	-
Treasury and cheque clearing		**452,626**	50,106	**66,405**	50,106
Treasury related payables		**149,347**	231,223	**149,347**	231,223
Sundry creditors and accruals		**175,507**	531,979	**140,623**	494,991
Provision for bonus and staff related expenses		**164,504**	176,617	**155,941**	168,984
Expected credit losses on financial guarantee contracts	(a)	**7,928**	-	**7,117**	-
Others		**579,298**	499,108	**507,091**	400,229
		4,881,745	4,719,446	**4,290,076**	3,932,169

(a) Movements in expected credit losses of financial guarantee contracts are as follows:

The Group	Note	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019					
At 1 July					**-**
Effect of adopting MFRS 9	59				**6,920**
At 1 July, as restated		**2,065**	**4,855**	**-**	**6,920**
Changes in ECL due to transfer within stages		**(13)**	**(80)**	**93**	**-**
Transfer to Stage 1		**23**	**(23)**	**-**	**-**
Transfer to Stage 2		**(36)**	**36**	**-**	**-**
Transfer to Stage 3		**-**	**(93)**	**93**	**-**
New financial assets originated		**142**	**2**	**-**	**144**
Financial assets derecognised		**(28)**	**(12)**	**-**	**(40)**
Changes due to change in credit risk		**220**	**642**	**(68)**	**794**
Exchange difference		**(6)**	**120**	**-**	**114**
Other movements		**-**	**-**	**(4)**	**(4)**
At 30 June		**2,380**	**5,527**	**21**	**7,928**

Notes to the Financial Statements

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26 OTHER LIABILITIES (CONTINUED)

(a) Movements in expected credit losses of financial guarantee contracts are as follows: (continued)

The Bank	Note	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019					
At 1 July					-
Effect of adopting MFRS 9	59				6,749
At 1 July, as restated		1,909	4,840	-	6,749
Changes in ECL due to transfer within stages		(14)	(79)	93	-
Transfer to Stage 1		22	(22)	-	-
Transfer to Stage 2		(36)	36	-	-
Transfer to Stage 3		-	(93)	93	-
New financial assets originated		20	-	-	20
Financial assets derecognised		(26)	(12)	-	(38)
Changes due to change in credit risk		(308)	652	(67)	277
Exchange difference		(7)	120	-	113
Other movements		-	-	(4)	(4)
At 30 June		1,574	5,521	22	7,117

27 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

This represents the proceeds received from housing loans sold directly to Cagamas Berhad with recourse to the Group and the Bank. Under this agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas Berhad. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. These financial liabilities are stated at amortised cost.

28 TIER 2 SUBORDINATED BONDS

		The Group		The Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
RM1.5 billion Tier 2 subordinated notes, at par	(a)	**-**	1,500,000	**-**	1,500,000
Add: Interest payable		**-**	1,664	**-**	1,664
		-	1,501,664	**-**	1,501,664
Less: Unamortised discounts		**-**	(91)	**-**	(91)
		-	1,501,573	**-**	1,501,573
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	**-**	400,000	**-**	-
Add: Profit payable		**-**	684	**-**	-
		-	400,684	**-**	-
Less: Unamortised discounts		**-**	(54)	**-**	-
		-	400,630	**-**	-
RM1.5 billion Tier 2 subordinated notes, at par	(c)	**1,500,000**	1,000,000	**1,500,000**	1,000,000
Add: Interest payable		**2,370**	794	**2,370**	794
		1,502,370	1,000,794	**1,502,370**	1,000,794
Less: Unamortised discounts		**(30)**	(89)	**(30)**	(89)
		1,502,340	1,000,705	**1,502,340**	1,000,705
		1,502,340	2,902,908	**1,502,340**	2,502,278

(a) On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

On 24 June 2019, HLB had fully redeemed the RM1.5 billion nominal value of this Sub Notes.

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28 TIER 2 SUBORDINATED BONDS (CONTINUED)

(b) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment date thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extend and in the manner provided in the Subordinated Sukuk Ijarah, ranking *pari passu* among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

On 17 June 2019, HLISB had fully redeemed the RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah.

(c) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Subordinated Notes ("Sub Notes") out of its RM10.0 billion Multi-Currency Sub Notes Programme. The RM500.0 million Sub Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub Notes shall be subject to the approval of BNM.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub Notes. The Sub Notes may be written off, either fully or partially, at the discretion of BNM at the point of non-viability as determined by BNM or Perbadanan Insurans Deposit Malaysia. The Sub Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

On 24 June 2019, HLB had fully redeemed the RM500.0 million nominal value of this Sub Notes.

On 25 June 2018, the Bank issued a second tranche of RM500.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 26 June 2023 (and thereafter) and due on 23 June 2028 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.86% per annum, which is payable semi-annually in arrears from the date of the issue.

On 14 June 2019, the Bank issued a third tranche of RM1.0 billion nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this third tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

29 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
RM800 million Multi-currency Additional Tier-1 capital securities at par	**800,000**	400,000	**800,000**	400,000
Add: Interest payable	**6,661**	1,799	**6,661**	1,799
	806,661	401,799	**806,661**	401,799
Less: Unamortised discounts	**(476)**	(607)	**(476)**	(607)
	806,185	401,192	**806,185**	401,192

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities ("Capital Securities") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, Hong Leong Financial Group Berhad ("HLFG"). The Capital Securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe the RM400.0 million Multi-currency Additional Tier 1 subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

On 29 March 2019 the Bank issued a second tranche nominal value of RM400.0 million perpetual Capital Securities fully subscribed by HLFG. The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

30 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group and The Bank	
	2019 RM'000	2018 RM'000
RM500 million Innovative Tier 1 capital securities, at par	**500,000**	500,000
Add: Interest payable	**12,658**	12,545
	512,658	512,545
Less: Unamortised discounts	**(502)**	(2,439)
Fair value adjustments on completion of business combination accounting	**112**	2,246
	512,268	512,352

On 10 September 2009, Promino Sdn Bhd ("Promino") issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500.0 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

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30 INNOVATIVE TIER 1 CAPITAL SECURITIES (CONTINUED)

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-1 Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of the Group and the Bank.

31 SHARE CAPITAL

	The Group and The Bank			
	2019		2018	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid:				
At 1 July/30 June - ordinary shares with no par value	**2,167,718**	**7,739,063**	2,167,718	7,739,063

32 RESERVES

		The Group		The Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Retained profits	(a)	**16,686,412**	15,184,533	**12,034,337**	11,212,525
Share options reserve	(b)	**39,170**	26,707	**39,170**	26,707
Fair value reserve	(c)				
- Financial investments at FVOCI		**150,952**	-	**129,590**	-
- Financial investments available-for-sale		**-**	164,127	**-**	194,544
Exchange fluctuation reserve	(d)	**731,018**	756,325	**218,330**	184,585
Regulatory reserves	(e)	**858,315**	752,939	**695,197**	637,098
Cash flow hedge reserve	(f)	**(2,726)**	832	**(2,726)**	832
		1,776,729	1,700,930	**1,079,561**	1,043,766
		18,463,141	16,885,463	**13,113,898**	12,256,291

(a) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

32 RESERVES (CONTINUED)

(b) The share options reserve arose from share options and ordinary shares granted to eligible executives of the Bank pursuant to the Bank's ESS. Terms of the Bank's ESS are disclosed in Note 58 to the financial statements.

(c) Movement of the fair value reserve is as follows:

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Bank 2019 RM'000	The Bank 2018 RM'000
At 1 July		**164,127**	342,429	**194,544**	360,928
Effect of adopting MFRS 9	59	**(288,588)**	-	**(291,679)**	-
As restated		**(124,461)**	342,429	**(97,135)**	360,928
Equity instruments					
- Net fair value changes		**11,796**	12,915	**11,796**	12,915
- Net loss on disposal		**(51)**	-	**(51)**	-
Debt instruments					
- Net fair value changes		**447,030**	(211,179)	**400,730**	(196,725)
- Changes in expected credit losses		**(862)**	-	**(931)**	-
Reclassification to net profit on disposal and impairment		**(124,838)**	(149,748)	**(124,838)**	(149,582)
Deferred taxation	45	**(71,602)**	170,532	**(59,981)**	167,008
Share of fair value reserve of associated company		**13,940**	(822)	**-**	-
Net change in fair value reserve		**275,413**	(178,302)	**226,725**	(166,384)
At 30 June		**150,952**	164,127	**129,590**	194,544

(d) Currency translation differences arising from translation of the Bank's foreign branches, subsidiaries, associated companies and joint venture are recognised in exchange fluctuation reserve.

(e) Regulatory reserves represent the Group's and the Bank's compliance with BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions with effect from 1 July 2018, whereby the Bank and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Prior to 1 July 2018, the Group and the Bank comply with BNM's Policy on Classification and Impairment Provisions for Loans/Financing, to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.

During the financial year, an additional amount of RM109.7 million (2018: RM74.5 million) at Group and RM90.1 million (2018: RM65.4 million) at Bank have been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.2 million (2018: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

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32 RESERVES (CONTINUED)

(f) Cash flow hedge reserve arises from cash flow hedge activities undertaken by the Bank to hedge the changes in the cash flow of customer deposits arising from the movement of market interest rates. The reserve is non-distributable and is reversed to the statements of income upon maturity or termination of the cash flow hedge.

33 TREASURY SHARES

		The Group		The Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of own shares pursuant to Section 127, Companies Act 2016	(a)	**431,829**	431,829	**431,829**	431,829
Treasury shares for ESS	(b)	**295,988**	300,438	**295,988**	300,438
		727,817	732,267	**727,817**	732,267

(a) Purchase of own shares pursuant to Section 127 of the Companies Act 2016

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 23 October 2013, had approved the Bank's plan to purchase its own shares up to 10% of the issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

As at 30 June 2019, the total number of shares bought was 81,101,700 (2018: 81,101,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016.

There was no resale or cancellation of treasury shares during the financial year. The number of issued shares with voting rights as at 30 June 2019 after deducting treasury shares purchased is 2,086,616,584 shares (2018: 2,086,616,584). Treasury shares have no rights to vote nor participation in dividends or other distribution.

(b) Treasury shares for ESS

In 2006, the Bank entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with an appointed Trustee in conjunction with the establishment of an Executive Share Option Scheme ("ESOS"). The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust.

MFRS 132 'Financial Instruments: Presentation' requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132, the shares purchased for the benefit of the ESS holders are recorded as "Treasury Shares for ESS" in the equity on the statements of financial position.

During the financial year ended 30 June 2019, a total of 604,138 ordinary shares were vested and transferred pursuant to the Bank's ESS. As at 30 June 2019, the total number of shares held was 40,182,412 (2018: 40,786,550).

34A INTEREST INCOME

	The Group		The Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans, advances and financing	**4,827,453**	4,642,090	**4,720,096**	4,562,593
Money at call and deposit placements with financial institutions	**203,883**	209,538	**197,060**	209,566
Securities purchased under resale agreements	**12**	3,513	**12**	3,513
Financial assets held-for-trading	**-**	382,004	**-**	382,086
Financial investments at FVOCI	**816,881**	-	**815,988**	-
Financial investments available-for-sale	**-**	742,369	**-**	738,767
Financial investments at amortised cost	**427,136**	-	**423,467**	-
Financial investments held-to-maturity	**-**	375,142	**-**	370,398
Others	**9,496**	2,903	**9,191**	2,404
	6,284,861	6,357,559	**6,165,814**	6,269,327
Of which:				
Accretion of discount less amortisation of premium	**237,117**	228,294	**237,117**	228,294
Interest income earned on impaired loans, advances and financing	**12,915**	52,766	**12,893**	52,766

34B INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group		The Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financial assets at FVTPL	**397,201**	-	**397,201**	-

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for the financial year ended 30 June 2019

35 INTEREST EXPENSE

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	**265,971**	165,480	**272,408**	175,551
Deposits from customers	**3,031,773**	2,803,439	**2,984,869**	2,757,875
Short-term placements	**429,986**	344,662	**429,986**	344,662
Tier 2 subordinated bonds	**116,165**	92,268	**116,135**	92,268
Multi-currency Additional Tier-1 capital securities	**25,347**	12,783	**25,513**	12,051
Innovative Tier 1 capital securities	**41,053**	38,205	**41,053**	38,205
Recourse obligation on loans sold to Cagamas	**7,602**	7,602	**7,602**	7,602
	3,917,897	3,464,439	**3,877,566**	3,428,214

36 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds and others	**1,455,046**	1,279,994
Income derived from investment of shareholders' funds	**176,972**	137,744
Income derived from investment of investment account	**12**	-
Income attributable to depositors	**(924,754)**	(771,674)
Income attributable to depositors on investment account	**(7)**	-
	707,269	646,064
Of which:		
Financing income earned on impaired financing and advances	**1,553**	11,941

Notes to the Financial Statements
for the financial year ended 30 June 2019

37 NON-INTEREST INCOME

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Bank 2019 RM'000	The Bank 2018 RM'000
Fee income					
Commissions		**168,070**	172,773	**165,064**	168,814
Service charges and fees		**51,723**	62,674	**49,761**	62,032
Guarantee fees		**15,488**	14,213	**15,360**	14,117
Credit card related fees		**239,129**	218,225	**239,129**	218,225
Corporate advisory fees		**1,447**	481	**1,447**	481
Commitment fees		**32,662**	33,086	**31,678**	32,407
Fee on loans, advances and financing		**37,074**	39,136	**33,469**	35,340
Other fee income		**39,712**	33,133	**39,527**	32,380
		585,305	573,721	**575,435**	563,796
Net income from securities					
Net realised gain/(loss) on financial instruments:					
- Financial assets at FVTPL		**104,539**	-	**104,539**	-
- Financial assets held-for-trading		**-**	10,902	**-**	10,902
- Derivative financial instruments		**(221,202)**	28,185	**(221,202)**	28,185
- Financial investments at FVOCI		**164,261**	-	**164,261**	-
- Financial investments available-for-sale		**-**	197,037	**-**	196,818
- Financial investments amortised cost		**15,902**	-	**15,902**	-
- Financial investments held-to-maturity		**-**	7	**-**	7
Dividend income from:					
- Subsidiary companies		**-**	-	**20,020**	43,400
- Joint venture		**-**	-	**-**	4,882
- Associated companies		**-**	-	**174,604**	138,560
- Financial assets at FVTPL		**279,533**	-	**279,533**	-
- Financial investments at FVOCI		**203**	-	**203**	-
- Financial investments available-for-sale		**-**	281,087	**-**	281,087
Net unrealised gain/(loss) on revaluation of:					
- Financial assets at FVTPL		**51,544**	-	**51,544**	-
- Financial assets held-for-trading		**-**	(2,457)	**-**	(2,457)
- Derivative financial instruments		**1,754**	109,026	**1,754**	109,026
Net realised loss on fair value changes arising from fair value hedges		**(504)**	(800)	**(504)**	(800)
Net unrealised loss on fair value changes arising from fair value hedges		**(305)**	(152)	**(305)**	(152)
		395,725	622,835	**590,349**	809,458

Notes to the Financial Statements

for the financial year ended 30 June 2019

37 NON-INTEREST INCOME (CONTINUED)

		The Group		The Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other income					
Foreign exchange gain		**152,425**	104,749	**150,983**	103,180
Rental income		**12,113**	7,770	**7,494**	5,597
Gain on disposal of property and equipment		**1,539**	2,492	**1,657**	2,492
Net loss on dilution of investment in associated company	18	**-**	(26,800)	**-**	-
Net gain on divestment of a joint venture	17	**90,106**	-	**138,101**	-
Other non-operating income		**17,188**	15,614	**15,639**	15,062
		273,371	103,825	**313,874**	126,331
		1,254,401	1,300,381	**1,479,658**	1,499,585

38 OVERHEAD EXPENSES

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs	**1,147,680**	1,106,354	**945,709**	919,275
Establishment costs	**516,258**	533,573	**465,554**	484,058
Marketing expenses	**173,860**	160,641	**166,576**	154,897
Administration and general expenses	**253,777**	259,881	**244,388**	239,018
	2,091,575	2,060,449	**1,822,227**	1,797,248

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

(i) Personnel costs comprise the following:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, bonus and allowances	**1,048,998**	1,008,943	**864,504**	838,865
Medical expenses	**31,587**	35,791	**26,472**	31,108
Training and convention expenses	**24,585**	26,317	**20,542**	21,569
Staff welfare	**10,012**	9,253	**8,632**	7,973
Other employees benefits	**32,498**	26,050	**25,559**	19,760
	1,147,680	1,106,354	**945,709**	919,275

38 OVERHEAD EXPENSES (CONTINUED)

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

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation of property and equipment	**132,296**	120,812	**115,934**	102,085
Amortisation of intangible assets	**54,189**	71,841	**49,818**	67,719
Rental of premises	**58,900**	73,071	**72,169**	87,041
Information technology expenses	**170,783**	164,271	**155,412**	153,584
Security services	**28,807**	28,896	**22,643**	22,677
Electricity, water and sewerage	**25,345**	26,447	**20,823**	20,812
Hire of plant and machinery	**12,605**	12,661	**11,968**	12,026
Others	**33,333**	35,574	**16,787**	18,114
	516,258	533,573	**465,554**	484,058

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Advertisement and publicity	**25,778**	36,888	**23,491**	33,796
Sales commission and credit card related fees	**128,651**	107,491	**128,651**	107,491
Others	**19,431**	16,262	**14,434**	13,610
	173,860	160,641	**166,576**	154,897

Notes to the Financial Statements

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38 OVERHEAD EXPENSES (CONTINUED)

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

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Teletransmission expenses	**18,295**	16,225	**17,883**	15,826
Stationery and printing expenses	**14,074**	14,860	**13,359**	13,965
Professional fees	**87,840**	88,287	**85,395**	83,884
Insurance fees	**42,103**	41,772	**36,934**	36,459
Stamp, postage and courier	**13,876**	13,971	**13,526**	13,639
Travelling and transport expenses	**4,637**	4,414	**3,372**	3,283
Registration and license fees	**9,005**	9,125	**8,011**	8,154
Brokerage and commission	**8,382**	7,946	**4,489**	3,793
Credit card fees	**42,628**	39,854	**42,628**	39,854
Others	**12,937**	23,427	**18,791**	20,161
	253,777	259,881	**244,388**	239,018

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration*:				
Malaysian firm				
- statutory audit	**2,022**	1,820	**1,680**	1,579
- regulatory related fees	**731**	877	**496**	601
- tax compliance	**74**	70	**45**	42
- other services	**63**	603	**63**	575
PwC overseas affiliated firms				
- statutory audit	**694**	572	**557**	447
- regulatory related fees	**189**	192	**189**	192
- tax compliance	**124**	130	**90**	101
Loss on disposal of property and equipment	**122**	218	**122**	209
Property and equipment written off	**7,902**	4,879	**7,460**	4,568
Intangible assets disposal/written off	**39**	29	**37**	16

* There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

39 ALLOWANCE FOR/(WRITTEN BACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- expected credit losses	**221,296**	-	**144,291**	-
- collective assessment allowance	**-**	299,887	**-**	224,340
- individual assessment allowance	**-**	7,892	**-**	(1,125)
Impaired loans, advances and financing:				
- written off	**17,679**	19,719	**14,337**	15,992
- recovered from bad debt written off	**(226,652)**	(250,847)	**(202,339)**	(206,558)
	12,323	76,651	**(43,711)**	32,649

40 (WRITTEN BACK OF)/ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Expected credit losses on:				
- Financial investments at FVOCI	**(906)**	-	**(973)**	-
- Financial investments at amortised cost	**178**	-	**174**	-
- Other receivables	**(240)**	-	**(240)**	-
- Cash and short-term funds	**47**	-	**583**	-
- Deposits and placements with banks and other financial institutions	**(51)**	-	**1,140**	-
Write back of impairment losses on:	**-**	-	**-**	-
- Financial investments available-for-sale	**-**	(73)	**-**	(73)
- Financial investments held-to-maturity	**-**	(7,058)	**-**	(7,058)
	(972)	(7,131)	**684**	(7,131)

Notes to the Financial Statements
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41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) Hume Cement Sdn Bhd Hume Construction Sdn Bhd Hume Plastics (Malaysia) Sdn Berhad Hume Quarry (Sarawak) Sdn Bhd Hongvilla Development Sdn Bhd HIMB Overseas Limited HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Southern Steel Berhad and its subsidiary and associated companies	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 16	Subsidiary companies of the Bank
Joint venture of the Group as disclosed in Note 17	Joint venture of the Group
Associated companies of the Group as disclosed in Note 18	Associated companies of the Group
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and eight members of senior management of the Bank
Related parties of key management personnel deemed as related to the Bank	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances

The Group	Parent company RM'000	Other related companies RM'000	Associated companies RM'000	Key management personnel RM'000
2019				
Income				
Interest:				
- loans	-	6,696	-	42
- redeemable preference shares	-	1,301	-	-
Commitment fee and bank charges	-	-	-	43
Dividend income	-	261,647	-	-
Commission on Group products/services sold	-	33,802	-	-
Brokerage commission	-	589	-	-
Reimbursement of shared service cost	1,036	7,557	-	-
	1,036	311,592	-	85
Expenditure				
Rental and maintenance	-	14,525	-	-
Insurance	54	31,206	-	-
Interest on current accounts and fixed deposits	-	934	-	1,670
Interest on short-term placements	87	10,667	-	3,535
Interest on subordinated notes and capital securities	-	26,454	-	-
Management fees	6,119	32,633	-	-
Other miscellaneous expenses	130	12,284	-	-
	6,390	128,703	-	5,205
Amounts due from				
Current accounts	-	-	20,414	-
Negotiable instruments of deposits	-	300,534	-	-
Redeemable preference shares	-	30,866	-	-
Loans	-	125,522	-	662
Wholesale funds	-	7,046,520	-	-
Derivative assets	135	1,621	-	-
Credit card balances	-	-	-	405
Advance rental and deposit	-	5,485	-	-
Others	459	2,010	-	-
	594	7,512,558	20,414	1,067
Amounts due to				
Current accounts and fixed deposits	-	55,369	-	32,784
Short-term placements	-	906,044	-	317,839
Subordinated notes and capital securities	-	47,377	-	-
Derivative liabilities	-	17,509	-	-
Others	278	24,746	-	-
	278	1,051,045	-	350,623
Commitments and contingencies				
Derivative related contracts	100,000	708,803	-	-

Notes to the Financial Statements
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41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Group	Parent company RM'000	Other related companies RM'000	Associated company RM'000	Key management personnel RM'000
2018				
Income				
Interest:				
- loans	-	9,526	-	37
- redeemable preference shares	-	1,341	-	-
Commitment fee and bank charges	-	-	-	51
Dividend income	-	261,472	-	-
Commission on Group products/services sold	-	31,774	-	-
Brokerage commission	-	931	-	-
Reimbursement of shared service cost	266	6,908	-	-
	266	311,952	-	88
Expenditure				
Rental and maintenance	-	20,565	-	-
Insurance	57	12,527	-	-
Interest on current accounts and fixed deposits	-	1,614	-	3,669
Interest on short-term placements	584	17,440	-	1,601
Interest on subordinated notes and capital securities	-	33,255	-	-
Management fees	7,777	32,786	-	-
Other miscellaneous expenses	274	8,545	-	-
	8,692	126,732	-	5,270
Amounts due from				
Current accounts	-	-	20,373	-
Redeemable preference shares	-	30,866	-	-
Loans	-	158,920	-	1,076
Wholesale funds	-	6,945,610	-	-
Derivative assets	327	532	-	-
Credit card balances	-	-	-	421
Advance rental and deposit	-	5,203	-	-
Others	-	594	-	-
	327	7,141,725	20,373	1,497
Amounts due to				
Current accounts and fixed deposits	-	76,436	-	119,945
Short-term placements	-	1,688,239	-	56,505
Subordinated notes and capital securities	-	698,806	-	-
Derivative liabilities	-	27,638	-	-
Others	-	24,430	-	-
	-	2,515,549	-	176,450
Commitments and contingencies				
Derivative related contracts	100,000	635,482	-	-

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2019					
Income					
Interest:					
- loans	-	14,718	-	6,696	42
- interbank placements	-	16,684	-	-	-
- current accounts	-	-	511	-	-
- negotiable instruments of deposits	-	2,798	-	-	-
- redeemable preference shares	-	-	-	1,301	-
- subordinated facilities	-	908	-	-	-
Dividend income	-	20,020	174,604	261,647	-
Commitment fee and bank charges	-	-	-	-	43
Commission on Group products/ services sold	-	-	-	33,802	-
Brokerage commission	-	-	-	589	-
Reimbursement of shared service cost	1,036	154,700	-	7,557	-
	1,036	209,828	175,115	311,592	85

Notes to the Financial Statements

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41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
2019					
Expenditure*					
Rental and maintenance	-	32,267	-	14,253	-
Insurance	54	-	-	31,206	-
Interest on current accounts and fixed deposits	-	1,698	-	34	1,646
Interest on short-term placements	87	-	-	10,667	3,535
Interest on interbank placements	-	7,389	-	-	-
Interest on subordinated notes and capital securities	-	-	-	26,454	-
Management fees	6,119	-	-	32,633	-
Other miscellaneous expenses	130	1,866	273	12,272	-
	6,390	43,220	273	127,519	5,181
Amounts due from					
Interbank placements	-	289,883	-	-	-
Current accounts	-	-	20,414	-	-
Negotiable instruments of deposits	-	-	-	300,534	-
Redeemable preference shares	-	-	-	30,866	-
Loans	-	352,137	-	125,522	662
Wholesale funds	-	-	-	7,046,520	-
Credit card balances	-	-	-	-	405
Derivative assets	135	22,263	-	1,621	-
Advance rental and deposit	-	8,414	-	5,485	-
Others	459	13,094	-	2,010	-
	594	685,791	20,414	7,512,558	1,067
Amounts due to					
Current accounts and fixed deposits	-	134,099	-	55,369	32,322
Short-term placements	-	-	-	906,044	317,839
Subordinated notes and capital securities	-	-	-	47,377	-
Derivative liabilities	-	14,046	-	17,509	-
Others	-	29	-	-	-
	-	148,174	-	1,026,299	350,161
Commitments and contingencies					
Derivative related contracts	100,000	1,661,642	-	708,803	-

* Pursuant to requirements as set out in Bank Negara Malaysia's ("BNM") circular dated 28 March 2018 on Standards on Intercompany Charges Paid/Payable to Foreign Shareholders/Related Entities, the intercompany payments by the Bank are primarily transacted with related parties domiciled in Malaysia.

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000	Key management personnel RM'000
2018					
Income					
Interest:					
- loans	-	14,473	-	9,526	37
- interbank placements	-	11,320	-	-	-
- current accounts	-	-	1,277	-	-
- negotiable instruments of deposits	-	82	-	-	-
- redeemable preference shares	-	-	-	1,341	-
- subordinated facilities	-	65	-	-	-
Dividend income	-	43,400	138,560	266,354	-
Commitment fee and bank charges	-	-	-	-	51
Commission on Group products/ services sold	-	-	-	31,774	-
Brokerage commission	-	-	-	931	-
Reimbursement of shared service cost	266	143,416	-	6,908	-
	266	212,756	139,837	316,834	88

Notes to the Financial Statements

for the financial year ended 30 June 2019

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

The Bank	Parent company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000	Key management personnel RM'000
2018					
Expenditure*					
Rental and maintenance	-	29,405	-	20,225	-
Insurance	57	-	-	12,527	-
Interest on current accounts and fixed deposits	-	1,095	-	114	3,659
Interest on short-term placements	584	1,616	-	17,440	1,601
Interest on interbank placements	-	2,067	-	-	-
Interest on subordinated notes and capital securities	-	-	-	32,271	-
Management fees	7,777	26	-	32,786	-
Other miscellaneous expenses	274	1,055	350	8,503	-
	8,692	35,264	350	123,866	5,260
Amounts due from					
Interbank placements	-	959,027	-	-	-
Current accounts	-	-	20,373	-	-
Redeemable preference shares	-	-	-	30,866	-
Loans	-	358,226	-	158,920	818
Wholesale funds	-	-	-	6,945,610	-
Credit card balances	-	-	-	-	421
Derivative assets	327	60,863	-	532	-
Advance rental and deposit	-	8,414	-	5,203	-
Others	-	43,563	-	594	-
	327	1,430,093	20,373	7,141,725	1,239
Amounts due to					
Current accounts and fixed deposits	-	129,249	-	76,436	119,302
Short-term placements	-	-	-	1,688,239	56,505
Subordinated notes and capital securities	-	-	-	678,237	-
Derivative liabilities	-	1,890	-	27,638	-
	-	131,139	-	2,470,550	175,807
Commitments and contingencies					
Derivative related contracts	100,000	2,979,856	-	635,482	-

* Pursuant to requirements as set out in Bank Negara Malaysia's ("BNM") circular dated 28 March 2018 on Standards on Intercompany Charges Paid/Payable to Foreign Shareholders/Related Entities, the intercompany payments by the Bank are primarily transacted with related parties domiciled in Malaysia.

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions and balances (continued)

	The Group	
	2019 RM'000	2018 RM'000
The approved limit on loans, advances and financing for key management personnel	**5,316**	6,160

(c) Key management personnel

Key management compensation

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other short-term employee benefits	**23,284**	21,328	**23,284**	21,328
Director fees	**1,141**	1,256	**973**	1,088
ESS expenses	**11,662**	13,077	**11,662**	13,077

Included in the above is the Directors' remuneration which is disclosed in Note 42 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 2019 and 2018 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Outstanding credit exposures with connected parties	**2,210,547**	2,340,089	**2,188,386**	2,317,297
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.43%**	1.61%	**1.78%**	1.96%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0002%**	0.0002%	**0.0003%**	0.0003%

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 2 February 2018 are as follows:

The Bank	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on deposits from customers RM'000	Interest on subordinated notes and capital securities RM'000	Rental and maintenance RM'000	Management fees RM'000	Insurance RM'000	Others RM'000
2019							
Malaysia	**-**	**9,849**	**26,454**	**37,696**	**38,436**	**31,246**	**13,699**
Singapore	**-**	**373**	**-**	**6,118**	**-**	**-**	**-**
Hong Kong	**-**	**42**	**-**	**2,706**	**316**	**14**	**501**
Cambodia	**7,389**	**-**	**-**	**-**	**-**	**-**	**42**
Others	**-**	**2,222**	**-**	**-**	**-**	**-**	**299**
	7,389	**12,486**	**26,454**	**46,520**	**38,752**	**31,260**	**14,541**
2018							
Malaysia	-	16,468	32,271	41,210	40,278	12,572	8,950
Singapore	-	-	-	6,126	-	-	-
Hong Kong	-	375	-	2,294	311	12	522
Vietnam	-	-	-	-	-	-	6
Cambodia	2,067	-	-	-	-	-	276
Others	-	4,006	-	-	-	-	428
	2,067	20,849	32,271	49,630	40,589	12,584	10,182

42 CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION

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

	The Group				The Bank			
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
2019								
CEO								
Mr Domenic Fuda	8,141	-	7,202	15,343	8,141	-	7,202	15,343
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Lim Lean See*	24	224	-	248	24	224	-	248
Ms Chok Kwee Bee	29	251	-	280	29	251	-	280
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	30	285	-	315	30	285	-	315
YBhg Datuk Dr Md Hamzah bin Md Kassim	24	328	-	352	9	160	-	169
Ms Chong Chye Neo**	3	53	-	56	3	53	-	56
	110#	1,141	-	1,251	95#	973	-	1,068
Directors of subsidiaries	3,084	633	-	3,717	-	-	-	-
Total CEO and Directors' remuneration	11,335	1,774	7,202	20,311	8,236	973	7,202	16,411

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

* Retired on 5 May 2019
** Appointed on 21 February 2019
\# Directors' meeting allowances

Note: The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of Companies Act 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM58,264 and RM51,462, respectively.

42 CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS' REMUNERATION (CONTINUED)

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

	The Group				The Bank			
	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
2018								
CEO								
Mr Domenic Fuda	7,641	-	4,383	12,024	7,641	-	4,383	12,024
Executive Director								
Mr Tan Kong Khoon	-	-	-	-	-	-	-	-
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Ms Lim Lean See	26	265	-	291	26	265	-	291
Ms Chok Kwee Bee	18	195	-	213	18	195	-	213
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	29	285	-	314	29	285	-	314
YBhg Datuk Wira Azhar bin Abdul Hamid*	14	183	-	197	14	183	-	197
YBhg Datuk Dr Md Hamzah bin Md Kassim	25	328	-	353	10	160	-	170
	112#	1,256	-	1,368	97#	1,088	-	1,185
Directors of subsidiaries	2,661	580	62	3,303	-	-	-	-
Total CEO and Directors' remuneration	10,414	1,836	4,445	16,695	7,738	1,088	4,383	13,209

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

* Retired on 14 May 2018
\# Directors' meeting allowances

Note: The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of Companies Act 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM54,920.

43 TAXATION

	Note	The Group		The Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current year income tax		**610,102**	655,010	**518,815**	594,634
Deferred taxation	22	**(41,203)**	(50,649)	**(17,337)**	(52,529)
(Over)/Under accrual in prior years		**(47,386)**	3,816	**(42,482)**	3,416
Taxation		**521,513**	608,177	**458,996**	545,521

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	**3,186,020**	3,246,255	**2,385,907**	2,517,932
Tax calculated at a rate of 24%	**764,645**	779,101	**572,618**	604,304
Tax effects of:				
- Income not subject to tax	**(101,178)**	(64,045)	**(109,126)**	(80,978)
- Share of net income of foreign associated company and joint venture company	**(135,147)**	(128,798)	**-**	-
- Expenses not deductible for tax purposes	**40,579**	18,103	**37,986**	18,779
(Over)/Under accrual in prior years	**(47,386)**	3,816	**(42,482)**	3,416
Taxation	**521,513**	608,177	**458,996**	545,521

	The Group	
	2019 RM'000	2018 RM'000
Unused tax losses from a wholly owned subsidiary for which no deferred tax is recognised in the financial statements*	**29,046**	29,046

* Under the Malaysian Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period will be imposed with a time limited of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward for up to 7 consecutive years of assessment (i.e. from year of assessment 2019 to 2026).

Notes to the Financial Statements

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44 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit attributable to equity holders	**2,664,507**	2,638,078	**1,926,911**	1,972,411
Weighted average number of ordinary shares in issue ('000)	**2,045,995**	2,045,677	**2,045,995**	2,045,677
Basic earnings per share (sen)	**130.2**	129.0	**94.2**	96.4

Diluted earnings per share

The Bank has two categories of dilutive potential ordinary shares, which are the share options and ordinary shares granted under the ESS. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit attributable to equity holders	**2,664,507**	2,638,078	**1,926,911**	1,972,411
Weighted average number of ordinary shares in issue ('000)	**2,045,995**	2,045,677	**2,045,995**	2,045,677
- adjustment for ESS	**4,310**	3,423	**4,310**	3,423
	2,050,305	2,049,100	**2,050,305**	2,049,100
Diluted earnings per share (sen)	**130.0**	128.7	**94.0**	96.3

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

The Group	2019 Before tax RM'000	2019 Tax benefits RM'000	2019 Net of tax amount RM'000	2018 Before tax RM'000	2018 Tax benefits RM'000	2018 Net of tax amount RM'000
Debt instruments at fair value through other comprehensive income/ Financial investments available-for-sale						
- net fair value changes and changes in expected credit losses	**321,330**	**(71,602)**	**249,728**	(348,012)	170,532	(177,480)
Cash flow hedge						
- net fair value (loss)/gain	**(4,531)**	**973**	**(3,558)**	2,398	(498)	1,900
The Bank						
Debt instruments at fair value through other comprehensive income/ Financial investments available-for-sale						
- net fair value changes and changes in expected credit losses	**274,961**	**(59,981)**	**214,980**	(333,392)	167,008	(166,384)
Cash flow hedge						
- net fair value (loss)/gain	**(4,531)**	**973**	**(3,558)**	2,398	(498)	1,900

Notes to the Financial Statements

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46 DIVIDENDS

	The Group and The Bank			
	2019		2018	
	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 2018	**32.0**	**654,666**	-	-
- for financial year ended 30 June 2017	**-**	**-**	30.0	613,680
Interim dividend paid				
- for financial year ended 30 June 2019	**16.0**	**327,390**	-	-
- for financial year ended 30 June 2018	**-**	**-**	16.0	327,333
	48.0	**982,056**	46.0	941,013

A final single tier dividend in respect of the financial year ended 30 June 2019 of 34.0 sen per share (2018: 32.0 sen single tier per share) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted total number of issued shares (excluding 81,101,700 treasury shares held pursuant to Section 127 of the Companies Act 2016 and ESOS scheme of 40,182,412 shares) of 2,046,434,172 shares as at 30 June 2019, the dividend amount would approximately be RM695,787,618. The proposed dividend will be reflected in the financial statements for the financial year ending 30 June 2020 when approved by shareholders.

47 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional amounts of the commitments and contingencies constitute the followings:

	The Group		The Bank	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Direct credit substitutes*	**117,740**	108,341	**64,395**	50,361
Certain transaction related contingent items	**1,446,851**	1,286,782	**1,261,524**	1,165,364
Short-term self liquidating trade related contingencies	**674,511**	831,871	**638,625**	800,721
Irrevocable commitments to extend credit:				
- maturity more than one year	**17,720,606**	14,301,856	**12,749,585**	10,410,497
- maturity less than one year	**19,020,280**	16,074,688	**15,541,640**	14,108,380
Foreign exchange related contracts:^				
- less than one year	**34,829,534**	42,895,473	**33,337,605**	41,893,038
- one year to less than five years	**3,995,994**	2,640,932	**3,995,994**	2,640,932
- five years and above	**301,327**	517,408	**301,327**	517,408
Interest rate related contracts:^				
- less than one year	**38,511,811**	28,281,796	**38,511,811**	28,281,796
- one year to less than five years	**34,300,635**	46,342,804	**35,195,635**	48,687,804
- five years and above	**3,170,389**	6,839,805	**3,320,389**	6,389,805
Equity related contracts:^				
- less than one year	**591,385**	306,258	**591,386**	306,258
- one year to less than five years	**127,853**	503,502	**127,852**	503,502
Credit related contracts:^				
- five years and above	**82,753**	-	**82,753**	-
Unutilised credit card lines	**7,276,500**	6,908,565	**7,276,500**	6,908,565
	162,168,169	167,840,081	**152,997,021**	162,664,431

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 13 to the financial statements as derivatives assets or derivatives liabilities.

* Included in direct credit substitutes above are the financial guarantee contracts of RM103,153,716 and RM53,153,716 at Group and Bank, respectively (2018: RM96,689,047 and RM46,689,047 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

Notes to the Financial Statements

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48 CAPITAL COMMITMENTS

The capital commitments are in respect of:
- property and equipment
- intangible assets

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

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Authorised and contracted for	**155,521**	143,576	**131,104**	137,080
Authorised but not contracted for	**51,570**	26,212	**51,438**	23,812
	207,091	169,788	**182,542**	160,892

49 LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premise, photocopier machine and scanner, all of which are classified as operating leases. A summary of the future minimum lease payments, under non-cancellable operating lease commitment are as follows:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Not later than one year	**13,827**	16,982	**29,413**	30,908
Later than one year and not later than five years	**1,075**	3,390	**1,075**	1,094
Later than five years	**1,298**	1,562	**1,298**	1,562
	16,200	21,934	**31,786**	33,564

50 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.

51 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Overview and organisation

Group Risk Management ("GRM")

The Group has implemented a risk management framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The Group's risk management framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

From a governance perspective, the Board has the overall responsibility to define the Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is supported by the Board Risk Management Committee ("BRMC") in approving the Group's risk management framework as well as the attendant capital management and planning policy, risk appetite statements, risk management strategies and risk policies.

Dedicated management level committees are established to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

From the financial risk perspective, the BRMC is supported by the Group Risk Management ("GRM") functions. The GRM function has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Group. The core functions of the GRM are to identify key and emerging risks for the Group, to measure these risks, to manage the risk positions and to determine the optimum capital allocations. The Group regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

Credit Risk Management

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Group.

The Group has established a credit risk management framework to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

51 FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit Risk Management (continued)

For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

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

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

Independent Credit Review Team conducts independent post approval reviews on sampling basis to ensure that the quality of credit appraisals and approval standards are in accordance with the credit standards, lending policies and the directives established and approved by the Group's management.

Market Risk Management

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

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

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

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

Interest rate risk is identified, measured and controlled through various types of limits. In addition, the Group regularly review the interest rate outlook and develop strategies to protect the total net interest income from adverse changes in market interest rates. This applies to both interest rate risk exposures in the trading book and the banking book. In managing interest rate risk in the banking book, the Group measures earnings at risk and economic value or capital at risk.

The Group also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

51 FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Group's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirement, the Group has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group Asset-Liability Committee, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintenance of a liquidity compliance buffer to meet any unexpected cash outflows.

The Group has in place liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plan sets out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

(b) Market risk

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

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

(i) Interest/Profit rate risk sensitivity analysis

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

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

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

	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
2019				
Increase/(Decrease)				
+100 basis points ('bps')	**50,274**	**(300,025)**	**49,884**	**(230,924)**
-100 bps	**(50,274)**	**300,025**	**(49,884)**	**230,924**
2018				
Increase/(Decrease)				
+100 basis points ('bps')	95,130	(375,925)	86,289	(293,449)
-100 bps	(95,130)	375,925	(86,289)	293,449

(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	2019 RM'000	2018 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**86,757**	126,020
Euro ("EUR")	**5,932**	(88,263)
Great Britain Pound ("GBP")	**13,718**	(2,296)
Singapore Dollar ("SGD")	**(113,025)**	(68,339)
Australian Dollar ("AUD")	**(20,861)**	(14,383)
Chinese Yuan Renminbi ("CNY")	**5,207**	1,717
Hong Kong Dollar ("HKD")	**(104,623)**	(112,732)
Others	**84,982**	101,063
	(41,913)	(57,213)

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

The Bank	2019 RM'000	2018 RM'000
Asset/(Liability)		
United States Dollar ("USD")	**112,895**	143,504
Euro ("EUR")	**969**	(91,955)
Great Britain Pound ("GBP")	**8,323**	(7,415)
Singapore Dollar ("SGD")	**(111,637)**	(69,373)
Australian Dollar ("AUD")	**(23,091)**	(16,223)
Chinese Yuan Renminbi ("CNY")	**1,659**	943
Hong Kong Dollar ("HKD")	**(105,594)**	(113,665)
Others	**37,931**	100,186
	(78,545)	(53,998)

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows:

The Group	2019 RM'000	2018 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**(659)**	(958)
Euro ("EUR")	**(45)**	671
Great Britain Pound ("GBP")	**(104)**	17
Singapore Dollar ("SGD")	**859**	519
Australian Dollar ("AUD")	**159**	109
Chinese Yuan Renminbi ("CNY")	**(40)**	(13)
Hong Kong Dollar ("HKD")	**795**	857
Others	**(646)**	(768)
	319	434
+1%		
United States Dollar ("USD")	**659**	958
Euro ("EUR")	**45**	(671)
Great Britain Pound ("GBP")	**104**	(17)
Singapore Dollar ("SGD")	**(859)**	(519)
Australian Dollar ("AUD")	**(159)**	(109)
Chinese Yuan Renminbi ("CNY")	**40**	13
Hong Kong Dollar ("HKD")	**(795)**	(857)
Others	**646**	768
	(319)	(434)

Notes to the Financial Statements

for the financial year ended 30 June 2019

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

The Bank	2019 RM'000	2018 RM'000
Increase/(Decrease)		
-1%		
United States Dollar ("USD")	**(858)**	(1,091)
Euro ("EUR")	**(7)**	699
Great Britain Pound ("GBP")	**(63)**	56
Singapore Dollar ("SGD")	**848**	527
Australian Dollar ("AUD")	**175**	123
Chinese Yuan Renminbi ("CNY")	**(13)**	(7)
Hong Kong Dollar ("HKD")	**803**	864
Others	**(288)**	(761)
	597	410
+1%		
United States Dollar ("USD")	**858**	1,091
Euro ("EUR")	**7**	(699)
Great Britain Pound ("GBP")	**63**	(56)
Singapore Dollar ("SGD")	**(848)**	(527)
Australian Dollar ("AUD")	**(175)**	(123)
Chinese Yuan Renminbi ("CNY")	**13**	7
Hong Kong Dollar ("HKD")	**(803)**	(864)
Others	**288**	761
	(597)	(410)

51 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 2019 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	3,043,906	-	-	-	-	1,811,550	-	4,855,456
Deposits and placements with banks and other financial institutions	-	867,749	417,180	-	-	6,487	-	1,291,416
Financial assets at fair value through profit or loss	-	-	-	-	-	7,402,652	4,728,381	12,131,033
Financial investments at fair value through other comprehensive income	635,857	1,301,245	1,761,639	15,990,018	3,848,771	316,980	-	23,854,510
Financial investments at amortised cost	-	-	53,820	13,010,653	1,884,567	204,159	-	15,153,199
Loans, advances and financing								
- performing	114,796,095	1,217,840	639,349	9,223,211	9,754,210	-	-	135,630,705
- impaired^	110,775	6,761	11,435	79,807	468,734	-	-	677,512
Other assets	14,532	-	-	-	-	1,116,804	-	1,131,336
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	528,256	528,256
Statutory deposits with Central Banks	-	-	-	-	209,674	4,379,159	-	4,588,833
Total financial assets	118,601,165	3,393,595	2,883,423	38,303,689	16,165,956	15,237,791	5,256,637	199,842,256

^ This represents outstanding impaired loans after deducting expected credit losses.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

The Group 2019	Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	62,890,768	31,251,833	41,379,505	2,701,208	1,291,598	23,555,382	-	163,070,294
Investment accounts of customers	198	2,030	1	-	-	6	-	2,235
Deposits and placements of banks and other financial institutions	3,458,394	3,565,524	314,315	-	-	20,191	-	7,358,424
Obligations on securities sold under repurchase agreements	178,431	2,150,720	-	-	-	4,765	-	2,333,916
Bills and acceptances payable	46,703	128,278	35,094	-	-	182,948	-	393,023
Other liabilities	5,335	499	2,094	-	-	4,621,297	-	4,629,225
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	670,548	670,548
- hedging derivatives	-	-	388	4,307	3,394	-	-	8,089
Recourse obligation on loans sold to Cagamas	-	200,059	-	50,000	-	3,532	-	253,591
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,370	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,523	-	6,662	-	806,185
Innovative Tier 1 Capital Securities	-	499,611	-	-	-	12,657	-	512,268
Total financial liabilities	66,579,829	37,798,554	41,731,397	5,055,008	1,294,992	28,409,810	670,548	181,540,138
Net interest sensitivity gap	52,021,336	(34,404,959)	(38,847,974)	33,248,681	14,870,964			
Financial guarantees	-	-	-	-	-	492,044		
Credit related commitments and contingencies	-	-	-	-	-	44,017,386		
Treasury related commitments and contingencies (hedging)	-	-	200,000	453,571	332,738	-		
Net interest sensitivity gap	-	-	200,000	453,571	332,738	44,509,430		

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2018 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,193,725	-	-	-	-	2,278,680	-	6,472,405
Deposits and placements with banks and other financial institutions	-	2,078,011	701,736	-	-	16,733	-	2,796,480
Financial assets held-for-trading	-	-	-	-	-	-	5,969,872	5,969,872
Financial investments available-for-sale	172,000	1,627,844	1,392,227	17,019,379	3,821,978	7,829,508	-	31,862,936
Financial investments held-to-maturity	-	201,862	1,724,068	11,692,057	610,091	208,867	-	14,436,945
Loans, advances and financing								
- performing	106,638,879	1,040,811	631,803	9,017,525	9,978,099	-	-	127,307,117
- impaired^	153,564	6,844	12,206	96,640	482,734	-	-	751,988
Other assets	34,540	-	-	-	-	666,905	-	701,445
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	916,098	916,098
- hedging derivatives	-	-	-	1,286	683	-	-	1,969
Statutory deposits with Central Banks	-	-	-	-	171,369	4,141,113	-	4,312,482
Total financial assets	111,192,708	4,955,372	4,462,040	37,826,887	15,064,954	15,141,806	6,885,970	195,529,737

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Group 2018 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	60,227,115	25,867,804	42,790,885	4,048,868	1,409,132	23,070,291	-	157,414,095
Deposits and placements of banks and other financial institutions	4,070,353	2,862,530	280,259	-	-	24,292	-	7,237,434
Obligations on securities sold under repurchase agreements	752,569	3,068,376	-	-	-	10,924	-	3,831,869
Bills and acceptances payable	266,278	28,108	26,182	-	-	223,883	-	544,451
Other liabilities	-	-	-	-	-	4,440,166	-	4,440,166
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	1,019,773	1,019,773
- hedging derivatives	-	-	-	423	-	-	-	423
Recourse obligation on loans sold to Cagamas	-	-	-	200,057	-	2,895	-	202,952
Tier 2 subordinated bonds	-	-	2,399,766	500,000	-	3,142	-	2,902,908
Multi-currency Additional Tier 1 Capital Securities	-	-	-	399,393	-	1,799	-	401,192
Innovative Tier 1 Capital Securities	-	-	-	499,808	-	12,544	-	512,352
Total financial liabilities	65,316,315	31,826,818	45,497,092	5,648,549	1,409,132	27,789,936	1,019,773	178,507,615
Net interest sensitivity gap	45,876,393	(26,871,446)	(41,035,052)	32,178,338	13,655,822			
Financial guarantees	-	-	-	-	-	616,389		
Credit related commitments and contingencies	-	-	-	-	-	37,285,109		
Treasury related commitments and contingencies (hedging)	-	-	-	500,000	351,786	-		
Net interest sensitivity gap	-	-	-	500,000	351,786	37,901,498		

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2019 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	2,626,955	-	-	-	-	1,756,119	-	4,383,074
Deposits and placements with banks and other financial institutions	-	1,042,272	417,180	-	-	6,488	-	1,465,940
Financial assets at fair value through profit or loss	-	-	-	-	-	7,402,652	4,213,086	11,615,738
Financial investments at fair value through other comprehensive income	526,067	1,102,265	1,512,743	14,387,485	2,931,424	286,014	-	20,745,998
Financial investments at amortised cost	-	-	53,820	9,713,703	976,211	150,771	-	10,894,505
Loans, advances and financing								
- performing	93,123,924	1,064,611	465,650	6,868,124	6,838,280	-	-	108,360,589
- impaired^	109,291	6,457	9,957	68,404	380,272	-	-	574,381
Other assets	14,532	-	-	-	-	1,071,264	-	1,085,796
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	522,995	522,995
Amount due from subsidiaries	-	-	-	-	-	13,095	-	13,095
Statutory deposits with Central Banks	-	-	-	-	-	3,564,423	-	3,564,423
Total financial assets	96,400,769	3,215,605	2,459,350	31,037,716	11,126,187	14,250,826	4,736,081	163,226,534

^ This represents outstanding impaired loans after deducting expected credit losses.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2019 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	50,276,597	23,418,570	33,606,335	2,296,418	1,140,467	20,658,138	-	131,396,525
Deposits and placements of banks and other financial institutions	3,823,581	3,252,567	108,594	-	-	20,192	-	7,204,934
Obligations on securities sold under repurchase agreements	178,431	2,150,720	-	-	-	4,765	-	2,333,916
Bills and acceptances payable	45,155	121,287	27,768	-	-	168,368	-	362,578
Other liabilities	5,310	462	1,345	-	-	4,085,585	-	4,092,702
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	666,953	666,953
- hedging derivatives	-	-	388	4,307	3,394	-	-	8,089
Recourse obligation on loans sold to Cagamas	-	200,059	-	-	-	2,895	-	202,954
Tier 2 subordinated bonds	-	-	-	1,499,970	-	2,370	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	-	799,523	-	6,662	-	806,185
Innovative Tier 1 Capital Securities	-	499,611	-	-	-	12,657	-	512,268
Total financial liabilities	54,329,074	29,643,276	33,744,430	4,600,218	1,143,861	24,961,632	666,953	149,089,444
Net interest sensitivity gap	42,071,695	(26,427,671)	(31,285,080)	26,437,498	9,982,326			
Financial guarantees	-	-	-	-	-	404,022		
Credit related commitments and contingencies	-	-	-	-	-	35,567,725		
Treasury related commitments and contingencies (hedging)	-	-	200,000	453,571	332,738	-		
Net interest sensitivity gap	-	-	200,000	453,571	332,738	35,971,747		

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2018 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	3,599,583	-	-	-	-	1,950,805	-	5,550,388
Deposits and placements with banks and other financial institutions	-	2,087,905	601,736	-	-	15,881	-	2,705,522
Financial assets held-for-trading	-	-	-	-	-	-	5,619,035	5,619,035
Financial investments available-for-sale	161,995	1,622,843	1,352,195	15,480,773	2,607,246	7,793,528	-	29,018,580
Financial investments held-to-maturity	-	201,862	1,182,783	8,836,602	518,386	166,932	-	10,906,565
Loans, advances and financing								
- performing	88,212,412	900,505	387,298	7,108,305	7,068,241	-	-	103,676,761
- impaired^	113,412	6,634	9,323	73,147	395,626	-	-	598,142
Other assets	34,540	-	-	-	-	591,301	-	625,841
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	930,957	930,957
- hedging derivatives	-	-	-	1,286	683	-	-	1,969
Amount due from subsidiaries	-	-	-	-	-	43,563	-	43,563
Statutory deposits with Central Banks	-	-	-	-	-	3,453,017	-	3,453,017
Total financial assets	92,121,942	4,819,749	3,533,335	31,500,113	10,590,182	14,015,027	6,549,992	163,130,340

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest/Profit rate risk (continued)

	The Bank 2018 Non-trading book							
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	49,382,454	20,592,117	35,597,409	3,516,211	593,082	19,902,152	-	129,583,425
Deposits and placements of banks and other financial institutions	4,347,853	2,696,513	176,812	-	-	24,676	-	7,245,854
Obligations on securities sold under repurchase agreements	743,922	3,050,273	-	-	-	10,924	-	3,805,119
Bills and acceptances payable	265,634	26,294	24,460	-	-	190,583	-	506,971
Other liabilities	-	-	-	-	-	3,724,286	-	3,724,286
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	983,257	983,257
- hedging derivatives	-	-	-	423	-	-	-	423
Recourse obligation on loans sold to Cagamas	-	-	-	200,057	-	2,895	-	202,952
Tier 2 subordinated bonds	-	-	1,999,820	500,000	-	2,458	-	2,502,278
Multi-currency Additional Tier 1 Capital Securities	-	-	-	399,393	-	1,799	-	401,192
Innovative Tier 1 Capital Securities	-	-	-	499,807	-	12,545	-	512,352
Total financial liabilities	54,739,863	26,365,197	37,798,501	5,115,891	593,082	23,872,318	983,257	149,468,109
Net interest sensitivity gap	37,382,079	(21,545,448)	(34,265,166)	26,384,222	9,997,100			
Financial guarantees	-	-	-	-	-	528,028		
Credit related commitments and contingencies	-	-	-	-	-	31,427,442		
Treasury related commitments and contingencies (hedging)	-	-	-	500,000	351,786	-		
Net interest sensitivity gap	-	-	-	500,000	351,786	31,955,470		

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using BNM's New Liquidity Framework and depositor's concentration ratios. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity:

	The Group 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	4,309,642	545,814	-	-	-	-	-	4,855,456
Deposits and placements with banks and other financial institutions	-	-	872,409	272,868	146,139	-	-	1,291,416
Financial assets at fair value through profit or loss	12,836	333	138,749	27,198	163,866	11,482,479	305,572	12,131,033
Financial investments at fair value through other comprehensive income	169,192	471,922	1,307,777	572,769	1,243,510	20,045,009	44,331	23,854,510
Financial investments at amortised cost	883	512	957	914	75,253	15,074,680	-	15,153,199
Loans, advances and financing	12,298,130	5,596,972	5,344,123	1,859,481	659,641	110,549,870	-	136,308,217
Other assets	788,102	9,560	6,219	7,499	1,298	28,957	355,346	1,196,981
Derivative financial instruments	42,006	32,344	41,184	51,789	46,785	314,148	-	528,256
Statutory deposits with Central Banks	-	-	-	-	-	-	4,588,833	4,588,833
Investment in associated companies	-	-	-	-	-	-	4,106,375	4,106,375
Property and equipment	-	-	-	-	-	-	1,382,572	1,382,572
Intangible assets	-	-	-	-	-	-	125,225	125,225
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	16,030	16,030
Total assets	**17,620,791**	**6,657,457**	**7,711,418**	**2,792,518**	**2,336,492**	**157,495,143**	**12,755,596**	**207,369,415**

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity: (continued)

	The Group 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	59,062,352	27,177,389	31,419,431	19,699,578	21,909,182	3,802,362	-	163,070,294
Investment accounts of customers	13	187	2,034	1	-	-	-	2,235
Deposits and placements of banks and other financial institutions	2,288,410	1,269,354	3,631,083	127,940	41,637	-	-	7,358,424
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	244	46,459	128,278	35,082	11	-	182,949	393,023
Other liabilities	4,594,642	777	499	405	194,073	-	91,349	4,881,745
Derivative financial instruments	26,398	26,395	47,253	33,564	56,802	488,225	-	678,637
Recourse obligation on loans sold to Cagamas	-	-	203,591	-	-	50,000	-	253,591
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,863	1,799	-	799,523	-	806,185
Innovative Tier 1 Capital Securities	-	-	512,268	-	-	-	-	512,268
Taxation	-	-	-	-	-	-	95,864	95,864
Deferred tax liabilities	-	-	-	-	-	-	6,506	6,506
Total liabilities	66,260,280	28,699,833	37,815,723	19,900,739	22,201,705	6,640,080	376,668	181,895,028
Total equity	-	-	-	-	-	-	25,474,387	25,474,387
Total liabilities and equity	66,260,280	28,699,833	37,815,723	19,900,739	22,201,705	6,640,080	25,851,055	207,369,415
Net liquidity gap	(48,639,489)	(22,042,376)	(30,104,305)	(17,108,221)	(19,865,213)	150,855,063	12,378,928	25,474,387

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity:

	The Group 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	5,010,896	1,461,509	-	-	-	-	-	6,472,405
Deposits and placements with banks and other financial institutions	-	-	2,091,492	664,596	40,392	-	-	2,796,480
Financial assets held-for-trading	400,168	601,228	1,424,652	150,111	10,065	3,383,648	-	5,969,872
Financial investments available-for-sale	4,603,924	1,119,715	2,845,539	235,461	1,109,591	21,481,194	467,512	31,862,936
Financial investments held-to-maturity	-	-	204,482	141,135	1,671,354	12,419,974	-	14,436,945
Loans, advances and financing	12,484,785	6,087,736	5,250,306	1,788,511	595,167	101,852,600	-	128,059,105
Other assets	545,398	7,450	9,384	11,525	4,647	16,427	185,238	780,069
Derivative financial instruments	32,753	67,845	229,657	168,826	76,187	342,799	-	918,067
Statutory deposits with Central Banks	-	-	-	-	-	-	4,312,482	4,312,482
Investment in associated companies	-	-	-	-	-	-	3,651,091	3,651,091
Investment in joint venture	-	-	-	-	-	-	179,426	179,426
Property and equipment	-	-	-	-	-	-	1,414,975	1,414,975
Intangible assets	-	-	-	-	-	-	152,541	152,541
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	53,067	53,067
Total assets	23,077,924	9,345,483	12,055,512	3,160,165	3,507,403	139,496,642	12,247,644	202,890,773

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity: (continued)

	The Group 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	58,579,387	24,848,207	25,449,016	16,726,662	26,303,065	5,507,758	-	157,414,095
Deposits and placements of banks and other financial institutions	3,499,882	590,203	2,867,119	208,129	72,101	-	-	7,237,434
Obligations on securities sold under repurchase agreements	1,594	751,540	3,078,735	-	-	-	-	3,831,869
Bills and acceptances payable	39,140	227,138	28,108	26,182	-	-	223,883	544,451
Other liabilities	4,387,338	-	-	-	199,233	-	132,875	4,719,446
Derivative financial instruments	94,764	117,336	109,292	204,696	82,230	411,878	-	1,020,196
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,952	-	202,952
Tier 2 subordinated bonds	-	-	-	-	2,402,509	500,399	-	2,902,908
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,192	-	401,192
Innovative Tier 1 Capital Securities	-	-	-	-	-	512,352	-	512,352
Taxation	-	-	-	-	-	-	211,619	211,619
Total liabilities	66,602,105	26,534,424	31,532,270	17,165,669	29,059,138	7,536,531	568,377	178,998,514
Total equity	-	-	-	-	-	-	23,892,259	23,892,259
Total liabilities and equity	66,602,105	26,534,424	31,532,270	17,165,669	29,059,138	7,536,531	24,460,636	202,890,773
Net liquidity gap	(43,524,181)	(17,188,941)	(19,476,758)	(14,005,504)	(25,551,735)	131,960,111	11,679,267	23,892,259

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity:

	The Bank 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	3,618,599	764,475	-	-	-	-	-	4,383,074
Deposits and placements with banks and other financial institutions	-	-	1,046,933	272,868	146,139	-	-	1,465,940
Financial assets at fair value through profit or loss	12,836	333	138,749	27,198	163,866	10,967,184	305,572	11,615,738
Financial investments at fair value through other comprehensive income	169,192	361,962	1,108,797	502,064	1,063,220	17,496,432	44,331	20,745,998
Financial investments at amortised cost	883	512	957	914	75,253	10,815,986	-	10,894,505
Loans, advances and financing	10,555,719	5,009,250	4,984,949	1,639,889	556,855	86,188,308	-	108,934,970
Other assets	773,946	6,881	5,990	7,171	1,223	28,882	322,189	1,146,282
Derivative financial instruments	41,938	30,745	39,105	50,672	46,451	314,084	-	522,995
Amount due from subsidiaries	-	-	-	-	-	-	13,095	13,095
Statutory deposits with Central Banks	-	-	-	-	-	-	3,564,423	3,564,423
Subsidiary companies	-	-	-	-	-	-	2,558,337	2,558,337
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	761,639	761,639
Intangible assets	-	-	-	-	-	-	110,895	110,895
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	15,173,113	6,174,158	7,325,480	2,500,776	2,053,007	125,810,876	10,423,210	169,460,620

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity: (continued)

	The Bank 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	48,549,789	22,288,137	23,539,897	14,856,490	18,933,045	3,229,167	-	131,396,525
Deposits and placements of banks and other financial institutions	2,724,471	1,115,297	3,255,858	67,671	41,637	-	-	7,204,934
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	222	44,933	121,287	27,757	11	-	168,368	362,578
Other liabilities	4,054,048	768	462	388	184,733	-	49,677	4,290,076
Derivative financial instruments	26,352	24,611	44,739	33,749	56,432	489,159	-	675,042
Recourse obligation on loans sold to Cagamas	-	-	202,954	-	-	-	-	202,954
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,863	1,799	-	799,523	-	806,185
Innovative Tier 1 Capital Securities	-	-	512,268	-	-	-	-	512,268
Taxation	-	-	-	-	-	-	42,152	42,152
Deferred tax liabilities	-	-	-	-	-	-	6,506	6,506
Total liabilities	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	266,703	149,335,476
Total equity	-	-	-	-	-	-	20,125,144	20,125,144
Total liabilities and equity	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	20,391,847	169,460,620
Net liquidity gap	(40,469,990)	(17,478,860)	(22,223,271)	(12,489,448)	(17,162,851)	119,793,057	10,156,507	20,125,144

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity:

	The Bank 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	3,604,463	1,945,925	-	-	-	-	-	5,550,388
Deposits and placements with banks and other financial institutions	-	-	2,100,965	564,165	40,392	-	-	2,705,522
Financial assets held-for-trading	400,168	401,418	1,424,652	150,111	10,065	3,232,621	-	5,619,035
Financial investments available-for-sale	4,603,924	1,109,454	2,840,482	220,333	1,038,398	18,738,477	467,512	29,018,580
Financial investments held-to-maturity	-	-	204,482	141,135	1,049,460	9,511,488	-	10,906,565
Loans, advances and financing	11,124,805	5,333,867	4,910,310	1,567,186	446,077	80,892,658	-	104,274,903
Other assets	516,828	4,922	9,186	11,229	4,571	16,202	123,758	686,696
Derivative financial instruments	32,061	67,792	226,287	167,365	76,160	363,261	-	932,926
Amount due from subsidiaries	-	-	-	-	-	-	43,563	43,563
Statutory deposits with Central Banks	-	-	-	-	-	-	3,453,017	3,453,017
Subsidiary companies	-	-	-	-	-	-	2,157,132	2,157,132
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	782,853	782,853
Intangible assets	-	-	-	-	-	-	137,166	137,166
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	47,908	47,908
Total assets	20,282,249	8,863,378	11,716,364	2,821,524	2,665,123	112,754,707	10,007,692	169,111,037

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity: (continued)

	The Bank 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	49,133,318	20,106,097	20,409,995	13,644,822	22,152,549	4,136,644	-	129,583,425
Deposits and placements of banks and other financial institutions	3,777,382	590,203	2,701,102	105,066	72,101	-	-	7,245,854
Obligations on securities sold under repurchase agreements	1,594	742,893	3,060,632	-	-	-	-	3,805,119
Bills and acceptances payable	38,777	226,857	26,294	24,460	-	-	190,583	506,971
Other liabilities	3,684,210	-	-	-	194,840	-	53,119	3,932,169
Derivative financial instruments	94,244	116,459	108,104	203,282	82,230	379,361	-	983,680
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,952	-	202,952
Tier 2 subordinated bonds	-	-	-	-	2,001,879	500,399	-	2,502,278
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,192	-	401,192
Innovative Tier 1 Capital Securities	-	-	-	-	-	512,352	-	512,352
Taxation	-	-	-	-	-	-	171,958	171,958
Total liabilities	56,729,525	21,782,509	26,306,127	13,977,630	24,503,599	6,132,900	415,660	149,847,950
Total equity	-	-	-	-	-	-	19,263,087	19,263,087
Total liabilities and equity	56,729,525	21,782,509	26,306,127	13,977,630	24,503,599	6,132,900	19,678,747	169,111,037
Net liquidity gap	(36,447,276)	(12,919,131)	(14,589,763)	(11,156,106)	(21,838,476)	106,621,807	9,592,032	19,263,087

51 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 2019					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	56,637,447	32,833,750	44,208,357	30,505,103	831,502	165,016,159
Investment accounts of customers	199	2,045	1	-	-	2,245
Deposits and placements of banks and other financial institutions	3,624,191	3,690,086	110,421	-	-	7,424,698
Obligations on securities sold under repurchase agreements	219,177	2,159,445	-	-	-	2,378,622
Bills and acceptances payable	225,460	106,380	20,490	-	-	352,330
Other liabilities	4,626,632	499	2,094	-	-	4,629,225
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(5,053,049)	(3,906,447)	(6,449,277)	(2,384,604)	(1,631,205)	(19,424,582)
- Outflow	5,079,703	3,937,181	6,494,165	2,437,467	1,642,106	19,590,622
- Net settled derivatives	13,046	16,189	273,659	247,136	90,555	640,585
Recourse obligation on loans sold to Cagamas	-	204,911	1,050	54,213	-	260,174
Tier 2 subordinated bonds	-	-	41,333	1,640,826	-	1,682,159
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,990	926,956	-	966,464
Innovative Tier 1 Capital Securities	-	520,682	-	-	-	520,682
Total financial liabilities	65,372,806	39,574,239	44,732,283	33,427,097	932,958	184,039,383

51 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 2018					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	56,837,193	27,440,620	45,626,651	28,162,572	1,584,809	159,651,845
Deposits and placements of banks and other financial institutions	4,204,695	3,494,352	188,181	-	-	7,887,228
Obligations on securities sold under repurchase agreements	791,773	3,105,697	-	-	-	3,897,470
Bills and acceptances payable	485,936	5,517	11,314	-	-	502,767
Other liabilities	4,440,166	-	-	-	-	4,440,166
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(8,034,144)	(4,205,619)	(3,896,490)	(727,391)	(1,482,113)	(18,345,757)
- Outflow	8,212,419	4,300,253	4,166,101	793,892	1,501,885	18,974,550
- Net settled derivatives	20,609	26,149	114,568	285,422	107,430	554,178
Recourse obligation on loans sold to Cagamas	-	3,791	3,853	203,848	-	211,492
Tier 2 subordinated bonds	19,147	-	2,535,118	597,466	-	3,151,731
Multi-currency Additional Tier 1 Capital Securities	-	-	20,520	471,961	-	492,481
Innovative Tier 1 Capital Securities	-	20,568	20,568	520,682	-	561,818
Total financial liabilities	66,977,794	34,191,328	48,790,384	30,308,452	1,712,011	181,979,969

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank 2019					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	45,539,564	24,498,522	35,849,215	26,314,071	672,578	132,873,950
Deposits and placements of banks and other financial institutions	4,105,868	3,729,889	110,421	-	-	7,946,178
Obligations on securities sold under repurchase agreements	219,177	2,159,445	-	-	-	2,378,622
Bills and acceptances payable	209,789	101,274	14,950	-	-	326,013
Other liabilities	4,090,895	462	1,345	-	-	4,092,702
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(4,859,412)	(3,700,913)	(6,196,223)	(2,384,604)	(1,631,205)	(18,772,357)
- Outflow	4,884,133	3,729,232	6,240,336	2,437,467	1,642,106	18,933,274
- Net settled derivatives	13,128	15,087	271,842	235,415	81,516	616,988
Recourse obligation on loans sold to Cagamas	-	203,850	-	-	-	203,850
Tier 2 subordinated bonds	-	-	41,333	1,640,826	-	1,682,159
Multi-currency Additional Tier 1 Capital Securities	-	9,518	29,990	926,956	-	966,464
Innovative Tier 1 Capital Securities	-	520,682	-	-	-	520,682
Total financial liabilities	54,203,142	31,267,048	36,363,209	29,170,131	764,995	151,768,525

51 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank 2018					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities						
Deposits from customers	42,832,078	22,052,579	38,274,239	27,388,084	711,595	131,258,575
Deposits and placements of banks and other financial institutions	4,614,880	3,677,190	178,392	-	-	8,470,462
Obligations on securities sold under repurchase agreements	783,126	3,087,594	-	-	-	3,870,720
Bills and acceptances payable	452,289	5,246	10,793	-	-	468,328
Other liabilities	3,724,286	-	-	-	-	3,724,286
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(7,866,195)	(4,053,926)	(3,863,512)	(727,391)	(1,482,113)	(17,993,137)
- Outflow	8,043,608	4,145,406	4,131,774	793,892	1,501,885	18,616,565
- Net settled derivatives	21,294	27,508	120,339	232,981	101,356	503,478
Recourse obligation on loans sold to Cagamas	-	3,791	3,853	203,848	-	211,492
Tier 2 subordinated bonds	-	-	2,115,971	597,466	-	2,713,437
Multi-currency Additional Tier 1 Capital Securities	-	-	20,520	471,961	-	492,481
Innovative Tier 1 Capital Securities	-	20,568	20,568	520,682	-	561,818
Total financial liabilities	52,605,366	28,965,956	41,012,937	29,481,523	832,723	152,898,505

51 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 1 year RM'000	Over 1 year RM'000	Total RM'000
2019			
Direct credit substitutes	**67,590**	**50,150**	**117,740**
Short-term self liquidating trade related contingencies	**374,304**	**-**	**374,304**
Irrevocable commitments to extend credit	**19,020,280**	**17,720,606**	**36,740,886**
Unutilised credit card lines	**7,276,500**	**-**	**7,276,500**
Total commitments and contingencies	**26,738,674**	**17,770,756**	**44,509,430**
2018			
Direct credit substitutes	57,374	50,967	108,341
Short-term self liquidating trade related contingencies	508,048	-	508,048
Irrevocable commitments to extend credit	16,074,688	14,301,856	30,376,544
Unutilised credit card lines	6,908,565	-	6,908,565
Total commitments and contingencies	23,548,675	14,352,823	37,901,498
The Bank			
2019			
Direct credit substitutes	**64,245**	**150**	**64,395**
Short-term self liquidating trade related contingencies	**339,627**	**-**	**339,627**
Irrevocable commitments to extend credit	**15,541,640**	**12,749,585**	**28,291,225**
Unutilised credit card lines	**7,276,500**	**-**	**7,276,500**
Total commitments and contingencies	**23,222,012**	**12,749,735**	**35,971,747**
2018			
Direct credit substitutes	50,361	-	50,361
Short-term self liquidating trade related contingencies	477,667	-	477,667
Irrevocable commitments to extend credit	14,108,380	10,410,497	24,518,877
Unutilised credit card lines	6,908,565	-	6,908,565
Total commitments and contingencies	21,544,973	10,410,497	31,955,470

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.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank on financial instruments subject to impairment:

	The Group	
	2019 RM'000	**2018 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**4,587,073**	7,427,607
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**23,810,179**	-
- Financial investments available-for-sale	**-**	24,294,684
- Financial investments at amortised cost	**15,153,199**	-
- Financial investments held-to-maturity	**-**	14,436,458
Loans, advances and financing	**136,308,217**	128,059,105
Other assets	**1,116,804**	666,905
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**44,509,430**	37,901,498
Total maximum credit risk exposure that are subject to impairment	**225,484,902**	212,786,257

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	The Bank	
	2019 RM'000	2018 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**4,514,288**	6,684,995
Financial assets and investments portfolios (exclude shares):		
- Financial investments at FVOCI	**20,701,667**	-
- Financial investments available-for-sale	**-**	21,450,328
- Financial investments at amortised cost	**10,894,505**	-
- Financial investments held-to-maturity	**-**	10,906,078
Loans, advances and financing	**108,934,970**	104,274,903
Other assets	**1,071,264**	591,301
Amount due from subsidiaries	**13,095**	43,563
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	**35,971,747**	31,955,470
Total maximum credit risk exposure that are subject to impairment	**182,101,536**	175,906,638

The table below shows the credit exposure of the Group and the Bank on financial instruments that are not subject to impairment:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at FVTPL (exclude shares and wholesale funds)	**4,759,248**	-	**4,243,953**	-
Financial assets held-for-trading	**-**	5,969,872	**-**	5,619,035
Derivative assets	**528,256**	918,067	**522,995**	932,926
	5,287,504	6,887,939	**4,766,948**	6,551,961

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The outstanding balance for loans, advances and financing for which no allowances is recognised because of collateral as at 30 June 2019 amounted to RM184,663,000 and RM183,134,000 respectively for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is 85.43% (2018: 86.08%) and 85.13% (2018: 85.92%) respectively. The financial effects of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 30 June 2019 for the Group and the Bank is 83.64% and 84.51% respectively.

(iii) Credit exposure by stage

Financial assets of the Group and the Bank are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL - not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL - not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL - credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note 2N.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Obligors in this category exhibit strong capacity to meet financial commitments.
Adequate	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Marginal	Obligors in this category have uncertain capacity to meet financial commitments and is under closer monitoring.
No rating	Obligors which are currently not assigned with a credit ratings as it do not satisfy the criteria to be rated based on internal credit rating system.
Credit impaired	Obligors assessed to be impaired.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Description
Sovereign	Refer to financial asset issued by federal government or guarantee by federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly expose to default risk.
Un-graded	Refers to financial asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

Notes to the Financial Statements

for the financial year ended 30 June 2019

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	50,938	-	-	50,938
Investment grade	4,504,003	-	-	4,504,003
Non-investment grade	32,893	-	-	32,893
Gross carrying amount	4,587,834	-	-	4,587,834
Expected credit losses	(761)	-	-	(761)
Net carrying amount	4,587,073	-	-	4,587,073
Financial investments at FVOCI				
Sovereign	13,238,799	-	-	13,238,799
Investment grade	10,145,615	-	-	10,145,615
Non-investment grade	425,765	-	-	425,765
Gross carrying amount	23,810,179	-	-	23,810,179
Expected credit losses	(1,566)	-	-	(1,566)
Financial investments at amortised cost				
Sovereign	14,137,326	-	-	14,137,326
Investment grade	1,016,053	-	-	1,016,053
Gross carrying amount	15,153,379	-	-	15,153,379
Expected credit losses	(180)	-	-	(180)
Net carrying amount	15,153,199	-	-	15,153,199
Loans, advances and financing				
Satisfactory	115,595,574	11,860	-	115,607,434
Adequate	14,092,510	877,444	-	14,969,954
Marginal	4,394	5,626,041	-	5,630,435
No rating	-	287,449	-	287,449
Credit impaired	-	-	1,071,111	1,071,111
Gross carrying amount	129,692,478	6,802,794	1,071,111	137,566,383
Expected credit losses	(369,715)	(498,325)	(393,599)	(1,261,639)
Others*	3,473	-	-	3,473
Net carrying amount	129,326,236	6,304,469	677,512	136,308,217

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)				
Sovereign	**50,938**	**-**	**-**	**50,938**
Investment grade	**4,046,260**	**-**	**-**	**4,046,260**
Non-investment grade	**419,123**	**-**	**-**	**419,123**
Gross carrying amount	**4,516,321**	**-**	**-**	**4,516,321**
Expected credit losses	**(2,033)**	**-**	**-**	**(2,033)**
Net carrying amount	**4,514,288**	**-**	**-**	**4,514,288**
Financial investments at FVOCI				
Sovereign	**11,237,069**	**-**	**-**	**11,237,069**
Investment grade	**9,038,833**	**-**	**-**	**9,038,833**
Non-investment grade	**425,765**	**-**	**-**	**425,765**
Gross carrying amount	**20,701,667**	**-**	**-**	**20,701,667**
Expected credit losses	**(1,454)**	**-**	**-**	**(1,454)**

Notes to the Financial Statements

for the financial year ended 30 June 2019

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Financial investments at amortised cost				
Sovereign	9,897,499	-	-	9,897,499
Investment grade	997,180	-	-	997,180
Credit impaired	-	-	-	-
Gross carrying amount	10,894,679	-	-	10,894,679
Expected credit losses	(174)	-	-	(174)
Net carrying amount	10,894,505	-	-	10,894,505
Loans, advances and financing				
Satisfactory	92,476,671	11,304	-	92,487,975
Adequate	11,377,725	717,907	-	12,095,632
Marginal	4,394	4,195,373	-	4,199,767
No rating	-	272,061	-	272,061
Credit impaired	-	-	887,864	887,864
Gross carrying amount	103,858,790	5,196,645	887,864	109,943,299
Expected credit losses	(311,663)	(386,656)	(313,483)	(1,011,802)
Others*	3,473	-	-	3,473
Net carrying amount	103,550,600	4,809,989	574,381	108,934,970

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	The Group 2018 RM'000	The Bank 2018 RM'000
Neither past due nor impaired	120,421,480	98,499,230
Past due but not impaired	7,521,578	5,673,643
Individually impaired	1,125,502	906,233
Gross loans, advances and financing	129,068,560	105,079,106
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	(2,553)	(2,540)
Less: Allowance for impaired loans, advances and financing		
- Individual assessment allowance	(202,176)	(179,969)
- Collective assessment allowance	(804,726)	(621,694)
Net loans, advances and financing	128,059,105	104,274,903

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) 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 2018 RM'000	The Bank 2018 RM'000
Consumer loans/financing			
Risk Grade			
Good		87,563,208	71,404,614
Weakest		423,168	395,202
		87,986,376	71,799,816
Corporates loans/financing			
Risk Grade	Credit Quality		
A	Exceptional	790,832	376,621
B+	Superior	3,419,183	2,497,509
B	Excellent	4,924,645	4,166,425
B-	Strong	6,504,184	5,567,254
C+	Good	6,385,261	5,105,759
C	Satisfactory	6,507,306	5,240,671
C-	Fair	2,941,250	2,871,616
D+	Adequate	502,313	457,534
D	Marginal	163,024	134,668
Un-graded		297,106	281,357
		32,435,104	26,699,414
Total neither past due nor impaired		120,421,480	98,499,230

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) 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 2018 RM'000	The Bank 2018 RM'000
Past due less than 30 days	5,239,218	4,037,213
Past due 30 to less than 60 days	1,595,500	1,158,107
Past due 60 to less than 90 days	686,860	478,323
Past due but not impaired	7,521,578	5,673,643

(iii) Loans, advances and financing that are determined to be impaired as at 30 June 2018 are as follows:

	The Group 2018 RM'000	The Bank 2018 RM'000
Gross amount of impaired loans	1,125,502	906,233
Less: Individual assessment impairment allowance	(202,176)	(179,969)
Less: Collective assessment impairment allowance	(171,338)	(128,122)
Total net amount impaired loans	751,988	598,142

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2018, based on Moody's ratings or its equivalent are as follows:

The Group	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Other assets RM'000	Derivative assets RM'000
2018							
Neither past due nor impaired							
AAA to AA3	615,596	-	2,179,626	9,189,187	437,936	-	260,413
A1 to A3	5,834,635	-	512,023	2,069,712	-	-	319,354
Baa1 to Baa3	279,441	-	-	262,108	-	-	66,900
P1 to P3	-	-	-	-	-	-	-
Non-rated	697,935	-	3,278,223	12,773,677	13,998,522	666,905	271,400
	7,427,607	-	5,969,872	24,294,684	14,436,458	666,905	918,067

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.
^ Comprises securities purchased under resale agreements with local financial institutions.
# Securities with no ratings consist of government securities.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2018, based on Moody's ratings or its equivalent are as follows: (continued)

The Bank	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements^ RM'000	Financial assets held-for-trading# RM'000	Financial investments available-for-sale# RM'000	Financial investments held-to-maturity# RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000
2018								
Neither past due nor impaired								
AAA to AA3	998,700	-	1,979,816	8,551,606	437,936	-	-	250,505
A1 to A3	5,491,704	-	512,023	2,058,434	-	-	-	313,137
Baa1 to Baa3	106,245	-	-	262,108	-	-	-	66,900
P1 to P3	-	-	-	-	-	-	-	-
Non-rated	88,346	-	3,127,196	10,578,180	10,468,142	591,301	43,563	302,384
	6,684,995	-	5,619,035	21,450,328	10,906,078	591,301	43,563	932,926

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

Securities with no ratings consist of government securities.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below:

	The Group 2019									
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	117,121	-	2,537,496	-	-	2,654,617	1,066,678	5,499
Mining and quarrying	-	-	85,623	-	109,767	-	-	195,390	168,890	15,408
Manufacturing	-	-	-	-	9,995,994	-	-	9,995,994	7,466,545	151,983
Electricity, gas and water	-	15,124	2,123,206	816,281	223,037	-	-	3,177,648	535,354	2,967
Construction	-	58,076	346,009	-	3,002,638	-	-	3,406,723	2,762,359	16,832
Wholesale and retail	-	-	41,996	-	11,275,506	-	-	11,317,502	6,047,757	185,041
Transport, storage and communications	-	-	543,711	-	3,699,673	-	-	4,243,384	920,009	6,514
Finance, insurance, real estate and business services	4,562,859	364,729	10,537,703	2,020,015	10,141,388	1,109,299	528,256	29,264,249	4,089,637	92,263
Government and government agencies	24,214	4,321,319	10,014,810	12,316,903	-	7,505	-	26,684,751	-	8,641
Education, health and others	-	-	-	-	1,667,048	-	-	1,667,048	463,471	4,295
Household	-	-	-	-	92,943,939	-	-	92,943,939	20,356,649	2,601
Others	-	-	-	-	711,731	-	-	711,731	140,037	-
	4,587,073	4,759,248	23,810,179	15,153,199	136,308,217	1,116,804	528,256	186,262,976	44,017,386	492,044

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Group 2018									
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	99,232	-	2,665,114	-	-	2,764,346	952,054	1,009
Mining and quarrying	-	-	40,280	-	147,534	-	-	187,814	187,379	188
Manufacturing	-	-	-	-	9,586,845	-	-	9,586,845	6,318,050	238,560
Electricity, gas and water	-	20,170	2,179,768	60,949	201,063	-	-	2,461,950	192,924	46
Construction	-	-	266,875	-	2,742,754	-	-	3,009,629	1,941,674	13,680
Wholesale and retail	-	-	39,359	-	10,581,176	-	-	10,620,535	5,101,312	258,714
Transport, storage and communications	-	-	320,204	-	3,332,904	-	-	3,653,108	496,715	5,528
Finance, insurance, real estate and business services	6,702,964	2,672,772	12,316,293	30,866	9,531,963	660,014	918,067	32,832,939	3,582,847	94,993
Government and government agencies	724,643	3,276,930	9,032,673	14,344,643	-	6,891	-	27,385,780	-	206
Education, health and others	-	-	-	-	1,728,563	-	-	1,728,563	210,314	-
Household	-	-	-	-	86,942,754	-	-	86,942,754	18,169,084	3,465
Others	-	-	-	-	598,435	-	-	598,435	132,756	-
	7,427,607	5,969,872	24,294,684	14,436,458	128,059,105	666,905	918,067	181,772,698	37,285,109	616,389

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

The Bank
2019

	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	117,121	-	1,712,903	-	-	-	1,830,024	530,412	-
Mining and quarrying	-	-	85,623	-	96,689	-	-	-	182,312	157,655	15,408
Manufacturing	-	-	-	-	8,250,198	-	-	-	8,250,198	6,138,440	142,277
Electricity, gas and water	-	15,124	1,674,949	547,639	167,645	-	-	-	2,405,357	82,352	2,857
Construction	-	58,076	325,407	-	2,424,506	-	-	-	2,807,989	2,230,226	14,240
Wholesale and retail	-	-	41,996	-	9,856,185	-	-	-	9,898,181	5,072,863	164,926
Transport, storage and communications	-	-	538,586	-	3,516,933	-	-	-	4,055,519	815,318	6,514
Finance, insurance, real estate and business services	4,493,957	364,729	9,487,195	1,882,981	8,590,203	1,063,791	13,095	522,995	26,418,946	2,622,226	42,263
Government and government agencies	20,331	3,806,024	8,430,790	8,463,885	-	7,473	-	-	20,728,503	-	8,641
Education, health and others	-	-	-	-	846,902	-	-	-	846,902	282,782	4,295
Household	-	-	-	-	73,410,853	-	-	-	73,410,853	17,522,646	2,601
Others	-	-	-	-	61,953	-	-	-	61,953	112,805	-
	4,514,288	4,243,953	20,701,667	10,894,505	108,934,970	1,071,264	13,095	522,995	150,896,737	35,567,725	404,022

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank 2018										
	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	99,232	-	1,737,836	-	-	-	1,837,068	530,970	1,009
Mining and quarrying	-	-	40,280	-	108,005	-	-	-	148,285	187,064	188
Manufacturing	-	-	-	-	8,458,984	-	-	-	8,458,984	5,275,412	231,061
Electricity, gas and water	-	20,170	1,744,943	60,949	148,231	-	-	-	1,974,293	79,688	-
Construction	-	-	201,515	-	2,174,120	-	-	-	2,375,635	1,560,014	13,173
Wholesale and retail	-	-	39,359	-	9,534,675	-	-	-	9,574,034	4,525,999	230,375
Transport, storage and communications	-	-	315,169	-	3,184,093	-	-	-	3,499,262	411,398	3,558
Finance, insurance, real estate and business services	6,595,027	2,472,962	11,653,156	30,866	8,193,488	584,433	43,563	932,926	30,506,421	2,706,143	44,993
Government and government agencies	89,968	3,125,903	7,356,674	10,814,263	-	6,868	-	-	21,393,676	-	206
Education, health and others	-	-	-	-	907,090	-	-	-	907,090	192,616	-
Household	-	-	-	-	69,757,031	-	-	-	69,757,031	15,850,853	3,465
Others	-	-	-	-	71,350	-	-	-	71,350	107,285	-
	6,684,995	5,619,035	21,450,328	10,906,078	104,274,903	591,301	43,563	932,926	150,503,129	31,427,442	528,028

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Repossessed collaterals

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Industrial and residential properties, lands and automobiles	**256,534**	211,505	**215,368**	182,886

Repossessed collaterals are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not utilise the repossessed collaterals for its business use.

(vi) Write-off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the statements of income.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended, and are still subject to enforcement activities was RM263.2 million for the Group and RM207.0 million for the Bank.

(vii) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more.

51 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(viii) Sensitivity analysis

The Group and the Bank have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key macroeconomic variables, such as consumer price index, private consumption, house price index, unemployment rates and banking system credit while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Group and the Bank.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

(a) Retail

	Changes
Consumer price index	+/- 50 bps
Private consumption	+/- 50 bps
House price index	+/- 150 bps
Unemployment rate	+/- 100 bps

	The Group 2019 RM'000	**The Bank 2019 RM'000**
Total decrease in ECL on the positive changes in key variables	**(1,802)**	**(1,721)**
Total increase in ECL on the negative changes in key variables	**2,120**	**1,950**

(b) Non-retail

	Changes
Banking system credit	+/- 100 bps

	The Group 2019 RM'000	**The Bank 2019 RM'000**
Total decrease in ECL on the positive changes in key variables	**(2,690)**	**(2,207)**
Total increase in ECL on the negative changes in key variables	**2,579**	**2,395**

52 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statements of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(a) Determination of fair value and fair value hierarchy

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices 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 and the Bank then determine fair value based upon valuation techniques such as discounted cash flow that uses inputs such as market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain corporate bonds, government bonds and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques. This category includes unquoted shares held for socio-economic reasons. Fair value for shares held for socio-economic reasons are based on the net tangible assets of the affected companies.

52 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 2019 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	4,397,706	-	4,397,706
- Quoted securities	7,234,755	-	-	7,234,755
- Unquoted securities	-	193,000	305,572	498,572
Financial investments at FVOCI				
- Money market instrument	-	11,200,720	-	11,200,720
- Quoted securities	3,414,587	-	-	3,414,587
- Unquoted securities	-	9,194,872	44,331	9,239,203
Derivative financial instruments	32	520,412	7,812	528,256
	10,649,374	25,506,710	357,715	36,513,799
Financial Liabilities				
Derivative financial instruments	2,940	667,885	7,812	678,637
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,104,802	-	2,104,802
	2,940	2,772,687	7,812	2,783,439

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2018: RM Nil).

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for the financial year ended 30 June 2019

52 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 2018 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets held-for-trading				
- Money market instrument	-	5,782,957	-	5,782,957
- Quoted securities	108,940	-	-	108,940
- Unquoted securities	-	77,975	-	77,975
Financial investments available-for-sale				
- Money market instrument	-	7,210,876	-	7,210,876
- Quoted securities	11,756,789	-	-	11,756,789
- Unquoted securities	-	12,427,759	467,512	12,895,271
Derivative financial instruments	1,221	902,970	13,876	918,067
	11,866,950	26,402,537	481,388	38,750,875
Financial Liabilities				
Derivative financial instruments	4,913	1,001,407	13,876	1,020,196
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,167,150	-	3,167,150
	4,913	4,168,557	13,876	4,187,346

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Bank 2019 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	3,882,411	-	3,882,411
- Quoted securities	7,234,755	-	-	7,234,755
- Unquoted securities	-	193,000	305,572	498,572
Financial investments at FVOCI				
- Money market instrument	-	9,322,560	-	9,322,560
- Quoted securities	3,381,473	-	-	3,381,473
- Unquoted securities	-	7,997,634	44,331	8,041,965
Derivative financial instruments	32	515,151	7,812	522,995
	10,616,260	21,910,756	357,715	32,884,731
Financial Liabilities				
Derivative financial instruments	2,940	664,290	7,812	675,042
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,758,009	-	1,758,009
	2,940	2,422,299	7,812	2,433,051

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2018: RM Nil).

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Bank 2018 Fair Value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets held-for-trading				
- Money market instrument	-	5,432,120	-	5,432,120
- Quoted securities	108,940	-	-	108,940
- Unquoted securities	-	77,975	-	77,975
Financial investments available-for-sale				
- Money market instrument	-	5,739,723	-	5,739,723
- Quoted securities	11,745,511	-	-	11,745,511
- Unquoted securities	-	11,065,834	467,512	11,533,346
Derivative financial instruments	1,221	917,829	13,876	932,926
	11,855,672	23,233,481	481,388	35,570,541
Financial Liabilities				
Derivative financial instruments	4,913	964,891	13,876	983,680
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,018,571	-	2,018,571
	4,913	2,983,462	13,876	3,002,251

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

The Group	Financial Assets				Financial Liability
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
2019					
At 1 July	-	-	467,512	13,876	13,876
Effect of adopting MFRS 9	290,480	33,477	(467,512)	-	-
At 1 July, as restated	290,480	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	15,092	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	-	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
At 30 June	305,572	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

The Bank	Financial Assets: Financial assets at FVTPL RM'000	Financial Assets: Financial investments at FVOCI RM'000	Financial Assets: Financial investments available-for-sale RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2019					
At 1 July	-	-	467,512	13,876	13,876
Effect of adopting MFRS 9	290,480	33,477	(467,512)	-	-
At 1 July, as restated	290,480	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	15,092	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	-	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
At 30 June	305,572	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below: (continued)

The Group	Financial Assets: Financial investments available-for-sale RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2018			
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Settlements	-	(6,036)	(6,036)
Disposal	(149,361)	-	-
At 30 June	467,512	13,876	13,876
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	-	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	162,113	-	-

The Bank	Financial Assets: Financial investments available-for-sale RM'000	Financial Assets: Derivative financial instruments RM'000	Financial Liability: Derivative financial instruments RM'000
2018			
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Settlements	-	(6,036)	(6,036)
Disposal	(149,361)	-	-
At 30 June	467,512	13,876	13,876
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	-	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	162,113	-	-

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

	The Group and the Bank					
Description	**Fair value assets RM'000**	**Fair value liabilities RM'000**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted average)**	**Inter-relationship between significant unobservable inputs and fair value measurement**
2019						
Financial assets at FVTPL						
Unquoted shares	**305,572**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Financial investments at FVOCI						
Unquoted shares	**44,331**	**-**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	**7,812**	**(7,812)**	Monte Carlo Simulation	Equity volatility	+1% to +8%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-19% to +18%	An increase in correlation, would generally result in a higher fair value measurement and vice versa
2018						
Financial investments available-for-sale						
Unquoted shares	467,512	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	13,876	(13,876)	Monte Carlo Simulation	Equity volatility	+1% to +8%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-19% to +18%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for Level 3

The Group and the Bank	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/ (Unfavourable) changes RM'000
2019			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**1,172**
		-10%	**(1,023)**
	Equity / FX	+10%	**(50)**
	Correlation	-10%	**(84)**
	Total*		**15**
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	**(1,172)**
		-10%	**1,023**
	Equity / FX	+10%	**50**
	Correlation	-10%	**84**
	Total*		**(15)**
2018			
Financial assets			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	1,084
		-10%	(1,113)
	Equity / FX	+10%	40
	Correlation	-10%	(14)
	Total*		(3)
Financial liabilities			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(1,084)
		-10%	1,113
	Equity / FX	+10%	(40)
	Correlation	-10%	14
	Total*		3

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

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52 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:

	2019		2018	
The Group	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Financial investments at amortised cost				
- Money market	**9,508,224**	**9,516,299**	12,708,356	12,578,559
- Quoted securities	**997,006**	**987,230**	-	-
- Unquoted securities	**4,647,969**	**4,684,530**	1,728,589	1,704,579
Loans, advances and financing	**136,308,217**	**136,316,238**	128,059,105	128,173,423
	151,461,416	**151,504,297**	142,496,050	142,456,561
Financial Liabilities				
Deposits from customers				
- At amortised cost	**160,965,492**	**161,366,043**	154,246,945	154,653,657
Recourse obligation on loans sold to Cagamas	**253,591**	**253,940**	202,952	201,829
Tier 2 subordinated bonds	**1,502,340**	**1,513,813**	2,902,908	2,907,243
Multi-currency Additional Tier 1 Capital Securities	**806,185**	**820,613**	401,192	406,003
Innovative Tier 1 Capital Securities	**512,268**	**564,011**	512,352	533,665
	164,039,876	**164,518,420**	158,266,349	158,702,397
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	**6,618,104**	**6,615,126**	9,790,600	9,683,606
- Quoted securities	**997,006**	**987,230**	-	-
- Unquoted securities	**3,279,395**	**3,285,583**	1,115,965	1,104,374
Loans, advances and financing	**108,934,970**	**108,862,877**	104,274,903	104,278,792
	119,829,475	**119,750,816**	115,181,468	115,066,772
Financial Liabilities				
Deposits from customers				
- At amortised cost	**129,638,516**	**129,841,003**	127,564,854	127,887,723
Recourse obligation on loans sold to Cagamas	**202,954**	**203,010**	202,952	201,829
Tier 2 subordinated bonds	**1,502,340**	**1,513,813**	2,502,278	2,506,283
Multi-currency Additional Tier 1 Capital Securities	**806,185**	**820,613**	401,192	406,003
Innovative Tier 1 Capital Securities	**512,268**	**564,011**	512,352	533,665
	132,662,263	**132,942,450**	131,183,628	131,535,503

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2019 but for which fair value is disclosed:

	2019			
	Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3
The Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets				
Financial investments at amortised cost				
- Money market	9,508,224	-	9,516,299	-
- Quoted securities	997,006	-	987,230	-
- Unquoted securities	4,647,969	-	4,684,530	-
Loans, advances and financing	136,308,217	-	136,316,238	-
	151,461,416	-	151,504,297	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	160,965,492	-	161,366,043	-
Recourse obligation on loans sold to Cagamas	253,591	-	253,940	-
Tier 2 subordinated bonds	1,502,340	-	1,513,813	-
Multi-currency Additional Tier 1 Capital Securities	806,185	-	820,613	-
Innovative Tier 1 Capital Securities	512,268	-	564,011	-
	164,039,876	-	164,518,420	-
The Bank				
Financial Assets				
Financial investments at amortised cost				
- Money market	6,618,104	-	6,615,126	-
- Quoted securities	997,006	-	987,230	-
- Unquoted securities	3,279,395	-	3,285,583	-
Loans, advances and financing	108,934,970	-	108,862,877	-
	119,829,475	-	119,750,816	-
Financial Liabilities				
Deposits from customers				
- At amortised cost	129,638,516	-	129,841,003	-
Recourse obligation on loans sold to Cagamas	202,954	-	203,010	-
Tier 2 subordinated bonds	1,502,340	-	1,513,813	-
Multi-currency Additional Tier 1 Capital Securities	806,185	-	820,613	-
Innovative Tier 1 Capital Securities	512,268	-	564,011	-
	132,662,263	-	132,942,450	-

Notes to the Financial Statements
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52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2018 but for which fair value is disclosed:

	2018			
	Carrying	Fair Value		
The Group	**Amount RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**
Financial Assets				
Financial investments held-to-maturity				
- Money market	12,708,356	-	12,578,559	-
- Unquoted securities	1,728,589	-	1,704,093	486
Loans, advances and financing	128,059,105	-	128,173,423	-
	142,496,050	-	142,456,075	486
Financial Liabilities				
Deposits from customers				
- At amortised cost	154,246,945	-	154,653,657	-
Recourse obligation on loans sold to Cagamas	202,952	-	201,829	-
Tier 2 subordinated bonds	2,902,908	-	2,907,243	-
Multi-currency Additional Tier 1 Capital Securities	401,192	-	406,003	-
Innovative Tier 1 Capital Securities	512,352	-	533,665	-
	158,266,349	-	158,702,397	-
The Bank				
Financial Assets				
Financial investments held-to-maturity				
- Money market	9,790,600	-	9,683,606	-
- Unquoted securities	1,115,965	-	1,103,888	486
Loans, advances and financing	104,274,903	-	104,278,792	-
	115,181,468	-	115,066,286	486
Financial Liabilities				
Deposits from customers				
- At amortised cost	127,564,854	-	127,887,723	-
Recourse obligation on loans sold to Cagamas	202,952	-	201,829	-
Tier 2 subordinated bonds	2,502,278	-	2,506,283	-
Multi-currency Additional Tier 1 Capital Securities	401,192	-	406,003	-
Innovative Tier 1 Capital Securities	512,352	-	533,665	-
	131,183,628	-	131,535,503	-

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

FVTPL, FVOCI and financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish the fair value by using valuation techniques.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Recourse obligation on loans sold to Cagamas Berhad

For amounts due to Cagamas Berhad with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas Berhad with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Subordinated obligations and capital securities

The fair value of subordinated obligations and capital securities are based on quoted market prices where available.

Other financial assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

53 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	The Group						The Bank					
				Related amount not set off in the statements of financial position						Related amount not set off in the statements of financial position		
	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
30 June 2019												
Financial assets												
Derivatives/financial instruments	528,256	-	528,256	(330,125)	(124,887)	73,244	522,995	-	522,995	(315,684)	(124,887)	82,424
Total	528,256	-	528,256	(330,125)	(124,887)	73,244	522,995	-	522,995	(315,684)	(124,887)	82,424
Financial liabilities												
Derivatives/financial instruments	678,637	-	678,637	(330,125)	(249,520)	98,992	675,042	-	675,042	(315,684)	(249,520)	109,838
Obligations on securities sold under repurchase agreements	2,333,916	-	2,333,916	(2,333,916)	-	-	2,333,916	-	2,333,916	(2,333,916)	-	-
Total	3,012,553	-	3,012,553	(2,664,041)	(249,520)	98,992	3,008,958	-	3,008,958	(2,649,600)	(249,520)	109,838

53 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (continued)

	The Group						The Bank					
				Related amount not set off in the statements of financial position						Related amount not set off in the statements of financial position		
	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount of recognised financial assets/ liabilities in the statements of financial position RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
30 June 2018												
Financial assets												
Derivatives/financial instruments	930,488	(12,421)	918,067	(393,649)	(169,232)	355,186	945,347	(12,421)	932,926	(391,418)	(169,232)	372,276
Securities purchased under resale agreement	506,825	(506,825)	-	-	-	-	506,825	(506,825)	-	-	-	-
Total	1,437,313	(519,246)	918,067	(393,649)	(169,232)	355,186	1,452,172	(519,246)	932,926	(391,418)	(169,232)	372,276
Financial liabilities												
Derivatives/financial instruments	1,032,617	(12,421)	1,020,196	(393,649)	(191,852)	434,695	996,101	(12,421)	983,680	(391,418)	(191,852)	400,410
Obligations on securities sold under repurchase agreements	4,338,694	(506,825)	3,831,869	(3,831,869)	-	-	4,311,944	(506,825)	3,805,119	(3,805,119)	-	-
Total	5,371,311	(519,246)	4,852,065	(4,225,518)	(191,852)	434,695	5,308,045	(519,246)	4,788,799	(4,196,537)	(191,852)	400,410

54 CAPITAL ADEQUACY

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to.

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	2019	**2018**	**2019**	**2018**
Before deducting proposed dividends				
CET I capital ratio	**13.627%**	13.113%	**13.266%**	12.545%
Tier I capital ratio	**14.585%**	13.797%	**14.074%**	12.997%
Total capital ratio	**16.839%**	16.752%	**16.203%**	16.301%
After deducting proposed dividends				
CET I capital ratio	**13.113%**	12.614%	**12.640%**	11.949%
Tier I capital ratio	**14.072%**	13.298%	**13.448%**	12.401%
Total capital ratio	**16.326%**	16.253%	**15.577%**	15.706%

54 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET I capital				
Share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**16,686,412**	15,184,533	**12,034,337**	11,212,525
Other reserves	**849,361**	868,134	**315,816**	298,837
Less: Treasury shares	**(727,817)**	(732,267)	**(727,817)**	(732,267)
Less: Deferred tax assets	**(16,030)**	(53,067)	**-**	(47,908)
Less: Other intangible assets	**(125,225)**	(152,541)	**(110,895)**	(137,166)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies/joint venture	**(4,106,375)**	(3,830,517)	**(2,726,932)**	(2,778,569)
Total CET I capital	**18,468,077**	17,192,026	**14,752,025**	13,782,968
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	**799,523**	399,393	**799,523**	399,393
Innovative Tier I capital securities	**499,498**	497,562	**499,498**	497,562
Additional Tier I capital before regulatory adjustments	**1,299,021**	896,955	**1,299,021**	896,955
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**1,299,021**	896,955	**899,021**	496,955
Total Tier I capital	**19,767,098**	18,088,981	**15,651,046**	14,279,923
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves#	**1,554,893**	-	**1,267,205**	-
Collective assessment allowance^ and regulatory reserves#	**-**	1,375,082	**-**	1,130,670
Subordinated bonds	**1,499,970**	2,499,820	**1,499,970**	2,499,820
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	**-**	-	**(400,000)**	-
Tier II capital before regulatory adjustments	**3,054,863**	3,874,902	**2,367,175**	3,630,490
Less: Investment in subsidiary companies/associated companies/joint venture	**-**	-	**-**	-
Total Tier II capital	**3,054,863**	3,874,902	**2,367,175**	3,630,490
Total capital	**22,821,961**	21,963,883	**18,018,221**	17,910,413

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM847,070,000 (2018: RM741,694,000) and RM695,197,000 (2018: RM637,098,000) respectively.

54 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk*	**124,391,420**	118,853,998	**101,376,433**	98,504,099
Market risk	**2,558,573**	3,850,444	**2,595,185**	4,140,291
Operational risk	**8,577,308**	8,403,939	**7,233,933**	7,226,134
Total RWA	**135,527,301**	131,108,381	**111,205,551**	109,870,524

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,294,000 is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2019	2018
Before deducting proposed dividends		
CET I capital ratio	**10.529%**	10.461%
Tier I capital ratio	**12.258%**	12.404%
Total capital ratio	**15.150%**	15.477%
After deducting proposed dividends		
CET I capital ratio	**10.529%**	10.461%
Tier I capital ratio	**12.258%**	12.404%
Total capital ratio	**15.150%**	15.477%

55 SEGMENT REPORTING

Business segment reporting

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associates, Joint Venture and Representative Office. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other subsidiaries.

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55 SEGMENT REPORTING (CONTINUED)

Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter-Segment Elimination RM'000	Total RM'000
2019							
Revenue							
- external	2,719,983	651,765	1,227,251	259,519	141,964	(274,647)	4,725,835
- inter-segment^	(227,330)	536,618	(710,213)	-	400,925	-	-
Segment revenue	2,492,653	1,188,383	517,038	259,519	542,889	(274,647)	4,725,835
Overhead expenses of which:	(1,394,276)	(337,143)	(109,398)	(223,314)	(18,794)	(8,650)	(2,091,575)
Depreciation of property and equipment	47,850	5,413	13,069	10,548	55,275	141	132,296
Amortisation of intangible assets	9,667	1,600	1,160	3,554	38,208	-	54,189
(Allowance for)/written-back of allowance for impairment losses on loans, advances and financing	(33,061)	(23,548)	-	(531)	45,408	(591)	(12,323)
(Allowance for)/written-back of financial investments and other financial assets	-	-	(944)	76	-	1,840	972
Share of results of associated companies	-	-	-	563,111	-	-	563,111
Segment results	1,065,316	827,692	406,696	598,861	569,503	(282,048)	3,186,020
Taxation							(521,513)
Net profit for the financial year							2,664,507
Segment assets	96,394,407	33,131,270	52,948,686	14,335,769	-	-	196,810,132
Unallocated assets							10,559,283
Total assets							207,369,415
Segment liabilities	90,505,466	44,764,228	30,752,678	13,302,441	-	-	179,324,813
Unallocated liabilities							2,570,215
Total liabilities							181,895,028
Other significant segment items							
Capital expenditure	51,355	8,900	1,107	18,220	54,349	-	133,931

^ Inter-segment transfer is based on internally computed cost of funds.

Note:
1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

55 SEGMENT REPORTING (CONTINUED)

Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter-Segment Elimination RM'000	Total RM'000
2018							
Revenue							
- external	2,610,192	685,968	1,352,599	235,723	198,853	(243,770)	4,839,565
- inter-segment^	(56,665)	454,651	(775,811)	-	377,825	-	-
Segment revenue	2,553,527	1,140,619	576,788	235,723	576,678	(243,770)	4,839,565
Overhead expenses of which:	(1,359,981)	(317,197)	(109,178)	(198,134)	(64,346)	(11,613)	(2,060,449)
Depreciation of property and equipment	53,799	4,851	13,333	9,454	39,233	142	120,812
Amortisation of intangible assets	9,977	1,672	1,199	3,258	55,735	-	71,841
(Allowance for)/write-back of allowance for impairment losses on loans, advances and financing	(74,930)	979	-	15,298	(17,998)	-	(76,651)
Write-back of/(allowance for) impairment losses on financial investments	-	6,381	542	208	-	-	7,131
Share of results of associated company	-	-	-	516,111	-	-	516,111
Share of results in joint venture	-	-	-	20,548	-	-	20,548
Segment results	1,118,616	830,782	468,152	589,754	494,334	(255,383)	3,246,255
Taxation							(608,177)
Net profit for the financial year							2,638,078
Segment assets	90,642,621	31,235,152	57,564,956	13,414,023	-	-	192,856,752
Unallocated assets							10,034,021
Total assets							202,890,773
Segment liabilities	93,547,364	39,191,881	31,436,788	12,450,549	-	-	176,626,582
Unallocated liabilities							2,371,932
Total liabilities							178,998,514
Other significant segment items							
Capital expenditure	60,281	17,062	2,198	5,354	51,131	-	136,026

^ Inter-segment transfer is based on internally computed cost of funds.

Note:
1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

55 SEGMENT REPORTING (CONTINUED)

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.

- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and treasury business.

The Group	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2019				
Malaysia	**4,466,316**	**193,027,918**	**168,575,967**	**115,711**
Overseas operations	**259,519**	**14,341,497**	**13,319,061**	**18,220**
	4,725,835	**207,369,415**	**181,895,028**	**133,931**
2018				
Malaysia	4,603,842	189,474,863	166,531,761	130,672
Overseas operations	235,723	13,415,910	12,466,753	5,354
	4,839,565	202,890,773	178,998,514	136,026

56 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) In March 2017, the Board of Directors has approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018.

Post completion of the divestment exercise, the retained interest of 12% under the Group of RM68,782,000 and the Bank of RM24,657,000 respectively are derecognised from its investment in joint venture and classified as investment in associated companies.

(b) On 29 March 2019 the Bank issued a second tranche nominal value of RM400.0 million perpetual Capital Securities fully subscribed by HLFG. The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

(c) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had granted its approval for HLBCAM, a wholly-owned subsidiary of the Bank incorporated in the Kingdom of Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.

57 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements except for the following:

On 10 September 2019, the Bank had fully redeemed the RM500.0 million 8.25% Innovative Tier 1 capital securities due 9 September 2039 callable on 10 September 2019.

58 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Bank has established and implemented an Executive Share Scheme.

(a) Executive Share Scheme ("ESS")

The ESS of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Bank comprises the Executive Share Option Scheme ("ESOS") and the Executive Share Grant Scheme ("ESGS").

The main features of the ESS are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESS Bye-Laws.

2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Bank in the annual general meeting held on 29 October 2013 and 25 October 2012. The Board, as defined by the ESS Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.

3. At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS and any other executive share schemes established by the Bank which are still subsisting shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Bank at any one time.

4. The exercise of the options under the ESOS or the vesting of shares under the ESGS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

(i) ESOS

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

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

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the HLB Group to participate in the equity of the Bank.

The main features of the ESOS are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of the Bank.

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58 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

2. The options granted to an option holder under the ESOS is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year ended 30 June 2019, Nil (2018: Nil) share options have been granted under the ESOS with 20,325,861 (2018: 29,624,263) options remain outstanding. The Board has approved 837,504 share options under the ESOS 2013/2023 on 29 January 2019 to be vested between year 2019 to 2021. These share options were previously granted on 2 April 2015.

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2019 is as follows:

(A) 37,550,000 share options at an exercise price of RM14.24 (exercise price adjusted to RM13.77 for rights issue):

2019 **Grant date**	**Expiry date**	**As at 1-Jul-18**	**Adjustment for rights issue**	**Forfeited**	**Exercised**	**Outstanding As at 30-Jun-19**	**Exercisable As at 30-Jun-19**
2 April 2015	28 July 2019	**3,949,705**	**-**	**(3,614,704)**	**(261,643)**	**73,358**	**-**
2 April 2015	28 July 2020	**3,949,705**	**-**	**(3,614,704)**	**-**	**335,001**	**-**
2 April 2015	28 July 2021	**1,974,853**	**-**	**(1,807,351)**	**-**	**167,502**	**-**
		9,874,263	**-**	**(9,036,759)**	**(261,643)**	**575,861**	**-**

2018 **Grant date**	**Expiry date**	**As at 1-Jul-17**	**Adjustment for rights issue**	**Forfeited**	**Exercised**	**Outstanding As at 30-Jun-18**	**Exercisable As at 30-Jun-18**
2 April 2015	31 December 2018	6,741,384	-	(2,791,679)	-	3,949,705	-
2 April 2015	31 December 2019	6,741,384	-	(2,791,679)	-	3,949,705	-
2 April 2015	31 December 2020	3,370,692	-	(1,395,839)	-	1,974,853	-
		16,853,460	-	(6,979,197)	-	9,874,263	-

On 30 November 2015 ("modified grant date"), the options exercise price was adjusted and additional share options of 782,657 were granted due to the rights issue exercise pursuant to the ESS Bye-Laws.

58 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2019 is as follows: (continued)

Adjustments on exercise price due to Rights Issue

The fair value of share options granted on 2 April 2015 ("grant date") and modified grant date was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. On modified grant date, the incremental fair value was computed to incorporate the adjustments on exercise price due to rights issue. The value of share options and the key inputs for share options valuation before and after rights issue were as follows:

	2019		2018	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	**1.22-1.48**	**1.40-1.64**	1.42-1.67	1.62-1.85
Share price at grant date/modified grant date (RM)	**14.30**	**13.56**	14.30	13.56
Exercise price (RM)	**14.24**	**13.77**	14.24	13.77
Weighted average option life at grant date/ modified grant date (Years)	**5.12**	**4.46**	4.55	3.89
Expected volatility (%)	**11.74**	**12.21**	11.74	12.21
Weighted average dividend yield (%)	**3.20**	**3.33**	3.29	3.37
Weighted average risk free rate (%)	**3.82**	**4.03**	3.77	4.01

The fair value of share options after the rights issue is inclusive of incremental fair value arising from adjusted exercise price pursuant to the ESS Bye-Laws. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 3.83 to 5.83 years from grant date. The weighted average remaining option life as at 30 June 2019 is 0.88 years.

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58 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(i) ESOS (continued)

The ordinary share options of the Bank granted under the ESOS that are still outstanding for the financial year ended 30 June 2019 is as follows: (continued)

Adjustments on additional options due to Rights Issue

For the additional options granted on modified grant date due to Rights Issue exercise, the fair value of share options was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. The value of share options and the key inputs for share options valuation were as follows:

	2019 After Rights Issue	2018 After Rights Issue
Fair value of share options (RM)	**0.95-1.22**	1.19-1.48
Share price at grant date/modified grant date (RM)	**13.56**	13.56
Exercise price (RM)	**13.77**	13.77
Weighted average option life at grant date (Years)	**4.46**	3.89
Expected volatility (%)	**12.21**	12.21
Weighted average dividend yield (%)	**3.33**	3.37
Weighted average risk free rate (%)	**4.03**	4.01

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from to 3.16 to 5.17 years from grant date. The weighted average remaining option life as at 30 June 2019 is 0.88 years.

(B) 22,750,000 share options at an exercise price of RM16.46:

2019 Grant date	Expiry date	As at 1-Jul-18	Granted	Forfeited	Exercised	Outstanding As at 30-Jun-19	Exercisable As at 30-Jun-19
30 March 2018	31 August 2019	**2,370,000**	**-**	**-**	**-**	**2,370,000**	**-**
30 March 2018	31 August 2020	**2,370,000**	**-**	**-**	**-**	**2,370,000**	**-**
30 March 2018	31 August 2021	**1,185,000**	**-**	**-**	**-**	**1,185,000**	**-**
30 March 2018	31 August 2021	**5,530,000**	**-**	**-**	**-**	**5,530,000**	**-**
30 March 2018	31 August 2022	**5,530,000**	**-**	**-**	**-**	**5,530,000**	**-**
30 March 2018	31 August 2023	**2,765,000**	**-**	**-**	**-**	**2,765,000**	**-**
		19,750,000	**-**	**-**	**-**	**19,750,000**	**-**

58 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(B) 22,750,000 share options at an exercise price of RM16.46: (continued)

2018 Grant date	Expiry date	As at 1-Jul-17	Adjustment for rights issue	Forfeited	Exercised	Outstanding As at 30-Jun-18	Exercisable As at 30-Jun-18
30 March 2018	31 August 2019	-	2,730,000	(360,000)	-	2,370,000	-
30 March 2018	31 August 2020	-	2,730,000	(360,000)	-	2,370,000	-
30 March 2018	31 August 2021	-	1,365,000	(180,000)	-	1,185,000	-
30 March 2018	31 August 2021	-	6,370,000	(840,000)	-	5,530,000	-
30 March 2018	31 August 2022	-	6,370,000	(840,000)	-	5,530,000	-
30 March 2018	31 August 2023	-	3,185,000	(420,000)	-	2,765,000	-
		-	22,750,000	(3,000,000)	-	19,750,000	-

The estimated fair value of each share option granted is between RM3.15 and RM4.45 per share. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM18.72, weighted average option life at grant date of 3.6 years, exercise price of RM16.46, expected volatility of 17.94%, weighted average expected dividend yield of 2.15% and a weighted average risk free interest rate of 3.84%.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 1.25 to 5.25 years from grant date. The weighted average remaining option life as at 30 June 2019 is 2.37 years.

(ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 29 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve in principle the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

The ESGS would provide the Bank with the flexibility to reward the eligible executives of the HLB Group for their contribution with awards of the Bank's shares without any consideration payable by the eligible executives.

The shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the HLB Group and subject to any other terms and conditions as may be determined by the Board.

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for the financial year ended 30 June 2019

58 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(ii) ESGS (continued)

(A) 696,946 ordinary shares at date of grant:

2019						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-18	Granted	Forfeited	Exercised	30-Jun-19	30-Jun-19
23 November 2016	28 February 2019	**181,205**	**-**	**-**	**(181,205)**	**-**	**-**
23 November 2016	28 February 2020	**139,391**	**-**	**-**	**-**	**139,391**	**-**
		320,596	**-**	**-**	**(181,205)**	**139,391**	**-**

2018						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-17	Granted	Forfeited	Exercised	30-Jun-18	30-Jun-18
23 November 2016	28 February 2018	229,992	-	-	(229,992)	-	-
23 November 2016	28 February 2019	181,205	-	-	-	181,205	-
23 November 2016	28 February 2020	139,391	-	-	-	139,391	-
		550,588	-	-	(229,992)	320,596	-

(B) 322,580 ordinary shares at date of grant:

2019						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-18	Granted	Forfeited	Exercised	30-Jun-19	30-Jun-19
18 December 2017	31 January 2019	**161,290**	**-**	**-**	**(161,290)**	**-**	**-**
18 December 2017	31 January 2020	**161,290**	**-**	**-**	**-**	**161,290**	**-**
		322,580	**-**	**-**	**(161,290)**	**161,290**	**-**

2018						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-17	Granted	Forfeited	Exercised	30-Jun-18	30-Jun-18
18 December 2017	31 January 2019	-	161,290	-	-	161,290	-
18 December 2017	31 January 2020	-	161,290	-	-	161,290	-
		-	322,580	-	-	322,580	-

58 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) ESS (continued)

(ii) ESGS (continued)

(C) 267,379 ordinary shares at date of grant:

2019						Outstanding	Exercisable
		As at				As at	As at
Grant date	Vesting date	1-Jul-18	Granted	Forfeited	Exercised	30-Jun-19	30-Jun-19
3 December 2018	31 January 2020	-	133,690	-	-	133,690	-
3 December 2018	31 January 2021	-	133,689	-	-	133,689	-
		-	267,379	-	-	267,379	-

During the financial year ended 30 June 2019, an additional 267,379 ordinary shares have been granted on 3 December 2018 to an eligible executive of the Bank.

During the financial year ended 30 June 2019, a total of 342,495 ordinary shares were vested and transferred pursuant to the Bank's ESGS with 568,060 ordinary shares remain outstanding.

During the financial year ended 30 June 2019, the Group and the Bank had recognised share-based compensation expense arising from ESS amounting to RM17.7 million (2018: RM11.2 million).

(b) Treasury shares for ESS

A trust has been set up for the ESOS and ESS (collectively "Schemes") and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the Schemes holdings are recorded as "Treasury Shares for ESS" in the Shareholders' Funds on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	2019		2018	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	40,182	763,458	40,787	742,323

Notes to the Financial Statements
for the financial year ended 30 June 2019

59 CHANGES IN ACCOUNTING POLICIES

The Group and the Bank have adopted MFRS 9 with a date of transition of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amount previously recognised in the financial statements. The Group and the Bank did not early adopt any of MFRS 9 in previous periods.

As permitted by the transitional provisions of MFRS 9, the Group and the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities were recognised in the opening retained earnings and other reserves of the current period.

The adoption of MFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'.

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018:

The Group Statements of Financial Position ASSETS	**MFRS 139 measurement category**	**MFRS 9 measurement category**	**MFRS 139 carrying amount 30 June 2018 RM'000**	**Classification and measurement RM'000**	**Expected credit losses RM'000**	**MFRS 9 carrying amount 1 July 2018 RM'000**
Cash and short-term funds	Loans and receivables	Amortised cost	6,472,405	-	(463)	6,471,942
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	2,796,480	-	(281)	2,796,199
Financial assets at fair value through profit or loss	NA	FVTPL	-	11,323,897	-	11,323,897
Financial assets held-for-trading	HFT	NA	5,969,872	(5,969,872)	-	-
Financial investments at fair value through other comprehensive income	NA	FVOCI	-	25,206,604	(6,881)	25,199,723
Financial investments available-for-sale	AFS	NA	31,862,936	(31,862,936)	-	-
Financial investments at amortised cost	NA	Amortised cost	-	15,649,093	(830)	15,648,263
Financial investments held-to-maturity	HTM	NA	14,436,945	(14,436,945)	-	-
Loans, advances and financing	Loans and receivables	Amortised cost	128,059,105	28,966	(358,235)	127,729,836
Other assets	Loans and receivables	Amortised cost	780,069	-	-	780,069
Derivative financial instruments	FVTPL	FVTPL	918,067	-	-	918,067
Statutory deposits with Central Banks	Loans and receivables	Amortised cost	4,312,482	-	-	4,312,482
Investment in associated company	NA	NA	3,651,091	-	-	3,651,091
Investment in joint venture	NA	NA	179,426	-	-	179,426
Property and equipment	NA	NA	1,414,975	-	-	1,414,975
Intangible assets	NA	NA	152,541	-	-	152,541
Goodwill	NA	NA	1,831,312	-	-	1,831,312
Deferred tax assets	NA	NA	53,067	(14,080)	-	38,987
TOTAL ASSETS			202,890,773	(75,273)	(366,690)	202,448,810

59 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Group Statements of Financial Position LIABILITIES AND SHAREHOLDERS' EQUITY	**MFRS 139 measurement category**	**MFRS 9 measurement category**	**MFRS 139 carrying amount 30 June 2018 RM'000**	**Classification and measurement RM'000**	**Expected credit losses RM'000**	**MFRS 9 carrying amount 1 July 2018 RM'000**
Deposits from customers						
- At amortised cost	Amortised cost	Amortised cost	154,246,945	-	-	154,246,945
- At fair value through profit and loss	FVTPL	FVTPL	3,167,150	-	-	3,167,150
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	7,237,434	-	-	7,237,434
Obligations on securities sold under repurchase agreements	Amortised cost	Amortised cost	3,831,869	-	-	3,831,869
Bills and acceptances payable	Amortised cost	Amortised cost	544,451	-	-	544,451
Other liabilities	Amortised cost	Amortised cost	4,719,446	-	6,920	4,726,366
Derivative financial instruments	FVTPL	FVTPL	1,020,196	-	-	1,020,196
Recourse obligation on loans sold to Cagamas Berhad	Amortised cost	Amortised cost	202,952	-	-	202,952
Tier 2 subordinated bonds	Amortised cost	Amortised cost	2,902,908	-	-	2,902,908
Multi-currency Additional Tier 1 capital securities	Amortised cost	Amortised cost	401,192	-	-	401,192
Innovative Tier 1 capital securities	Amortised cost	Amortised cost	512,352	-	-	512,352
Provision for taxation	NA	NA	211,619	6,953	(87,487)	131,085
TOTAL LIABILITIES			178,998,514	6,953	(80,567)	178,924,900
Share capital			7,739,063	-	-	7,739,063
Retained profits			15,184,533	206,362	(281,843)	15,109,052
Regulatory reserves			752,939	-	(4,280)	748,659
Other reserves			947,991	(288,588)	-	659,403
Less: Treasury shares			(732,267)	-	-	(732,267)
TOTAL SHAREHOLDERS' EQUITY			23,892,259	(82,226)	(286,123)	23,523,910
TOTAL LIABILITIES AND EQUITY			202,890,773	(75,273)	(366,690)	202,448,810

59 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Bank Statements of Financial Position ASSETS	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 July 2018 RM'000
Cash and short-term funds	Loans and receivables	Amortised cost	5,550,388	-	(69)	5,550,319
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	2,705,522	-	(229)	2,705,293
Financial assets at fair value through profit or loss	NA	FVTPL	-	11,172,871	-	11,172,871
Financial assets held-for-trading	HFT	NA	5,619,035	(5,619,035)	-	-
Financial investments at fair value through other comprehensive income	NA	FVOCI	-	22,281,877	(6,838)	22,275,039
Financial investments available-for-sale	AFS	NA	29,018,580	(29,018,580)	-	-
Financial investments at amortised cost	NA	Amortised cost	-	11,993,693	(827)	11,992,866
Financial investments held-to-maturity	HTM	NA	10,906,565	(10,906,565)	-	-
Loans, advances and financing	Loans and receivables	Amortised cost	104,274,903	13,393	(329,521)	103,958,775
Other assets	Loans and receivables	Amortised cost	686,696	-	-	686,696
Derivative financial instruments	FVTPL	FVTPL	932,926	-	-	932,926
Amount due from subsidiaries	NA	NA	43,563	-	-	43,563
Statutory deposits with Central Banks	Loans and receivables	Amortised cost	3,453,017	-	-	3,453,017
Subsidiary companies						
- Investment in subsidiary companies	NA	NA	1,739,113	-	-	1,739,113
- Subordinated facilities issued by subsidiary companies	Amortised cost	Amortised cost	418,019	-	-	418,019
Investment in associated company	NA	NA	946,525	-	-	946,525
Investment in joint venture	NA	NA	76,711	-	-	76,711
Property and equipment	NA	NA	782,853	-	-	782,853
Intangible assets	NA	NA	137,166	-	-	137,166
Goodwill	NA	NA	1,771,547	-	-	1,771,547
Deferred tax assets	NA	NA	47,908	(12,743)	-	35,165
TOTAL ASSETS			169,111,037	(95,089)	(337,484)	168,678,464

59 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Bank **Statements of Financial Position** **LIABILITIES AND SHAREHOLDERS' EQUITY**	**MFRS 139 measurement category**	**MFRS 9 measurement category**	**MFRS 139 carrying amount 30 June 2018 RM'000**	**Classification and measurement RM'000**	**Expected credit losses RM'000**	**MFRS 9 carrying amount 1 July 2018 RM'000**
Deposits from customers						
- At amortised cost	Amortised cost	Amortised cost	127,564,854	-	-	127,564,854
- At fair value through profit and loss	FVTPL	FVTPL	2,018,571	-	-	2,018,571
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	7,245,854	-	-	7,245,854
Obligations on securities sold under repurchase agreements	Amortised cost	Amortised cost	3,805,119	-	-	3,805,119
Bills and acceptances payable	Amortised cost	Amortised cost	506,971	-	-	506,971
Other liabilities	Amortised cost	Amortised cost	3,932,169	-	6,749	3,938,918
Derivative financial instruments	FVTPL	FVTPL	983,680	-	-	983,680
Recourse obligation on loans sold to Cagamas Berhad	Amortised cost	Amortised cost	202,952	-	-	202,952
Tier 2 subordinated bonds	Amortised cost	Amortised cost	2,502,278	-	-	2,502,278
Multi-currency Additional Tier 1 capital securities	Amortised cost	Amortised cost	401,192	-	-	401,192
Innovative Tier 1 capital securities	Amortised cost	Amortised cost	512,352	-	-	512,352
Provision for taxation	NA	NA	171,958	3,216	(81,350)	93,824
TOTAL LIABILITIES			149,847,950	3,216	(74,601)	149,776,565
Share capital			7,739,063	-	-	7,739,063
Retained profits			11,212,525	193,374	(230,875)	11,175,024
Regulatory reserves			637,098	-	(32,008)	605,090
Other reserves			406,668	(291,679)	-	114,989
Less: Treasury shares			(732,267)	-	-	(732,267)
TOTAL SHAREHOLDERS' EQUITY			19,263,087	(98,305)	(262,883)	18,901,899
TOTAL LIABILITIES AND EQUITY			169,111,037	(95,089)	(337,484)	168,678,464

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59 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

		Effect of adopting MFRS 9 1 July 2018
	The Group RM'000	**The Bank RM'000**
Cash and short-term funds		
Closing balance under MFRS 139 as at 30 June 2018	6,472,405	5,550,388
- recognition of expected credit losses under MFRS 9	(463)	(69)
Opening balance under MFRS 9 as at 1 July 2018	6,471,942	5,550,319
Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 30 June 2018	2,796,480	2,705,522
- recognition of expected credit losses under MFRS 9	(281)	(229)
Opening balance under MFRS 9 as at 1 July 2018	2,796,199	2,705,293
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 30 June 2018		
- reclassification from financial assets held-for-trading	3,415,512	3,264,486
- reclassification from financial investments available-for-sale	8,021,074	8,021,074
- reclassification from financial investments held-to-maturity	30,866	30,866
- remeasurement of fair value of financial instrument	(143,555)	(143,555)
Opening balance under MFRS 9 as at 1 July 2018	11,323,897	11,172,871
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 30 June 2018	5,969,872	5,619,035
- reclassification to financial assets at FVTPL	(3,415,512)	(3,264,486)
- reclassification to financial investments at FVOCI	(2,554,360)	(2,354,549)
Opening balance under MFRS 9 as at 1 July 2018	-	-
Financial investments at FVOCI		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- reclassification from financial investments available-for-sale	19,648,574	17,500,274
- reclassification from financial assets held-for-trading	2,554,360	2,354,549
- reclassification from financial investments held-to-maturity	2,989,050	2,414,372
- reversal of unrealised loss on financial investments at FVOCI	3,706	3,706
- unrealised gain on financial investments at FVOCI reclassified from financial investments held-to-maturity	10,914	8,976
- recognition of expected credit losses under MFRS 9	(6,881)	(6,838)
Opening balance under MFRS 9 as at 1 July 2018	25,199,723	22,275,039

59 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

	Effect of adopting MFRS 9 1 July 2018 The Group RM'000	The Bank RM'000
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 30 June 2018	31,862,936	29,018,580
- reclassification to financial investments at FVOCI	(19,648,574)	(17,500,274)
- reclassification to financial investments at amortised cost	(4,193,288)	(3,497,232)
- reclassification to financial assets at FVTPL	(8,021,074)	(8,021,074)
Opening balance under MFRS 9 as at 1 July 2018	-	-
Financial investments at amortised cost		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- reclassification from financial investments held-to-maturity	11,417,029	8,461,327
- reclassification from financial investments available-for-sale	4,193,288	3,497,232
- remeasurement of debt instruments at amortised cost previously held at financial investments available-for-sale	38,776	35,134
- recognition of expected credit losses under MFRS 9	(830)	(827)
Opening balance under MFRS 9 as at 1 July 2018	15,648,263	11,992,866
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 30 June 2018	14,436,945	10,906,565
- reclassification to financial assets at FVTPL	(30,866)	(30,866)
- reclassification to financial investments at FVOCI	(2,989,050)	(2,414,372)
- reclassification to financial investments at amortised cost	(11,417,029)	(8,461,327)
Opening balance under MFRS 9 as at 1 July 2018	-	-
Loans, advances and financing		
Closing balance under MFRS 139 as at 30 June 2018	128,059,105	104,274,903
- recognition of expected credit losses under MFRS 9	(358,235)	(329,521)
- remeasurement of loans, advances and financing	28,966	13,393
Opening balance under MFRS 9 as at 1 July 2018	127,729,836	103,958,775
Deferred tax assets		
Closing balance under MFRS 139 as at 30 June 2018	53,067	47,908
- in respect of unrealised gain/loss on FVOCI reserves	(14,080)	(12,743)
Opening balance under MFRS 9 as at 1 July 2018	38,987	35,165

Notes to the Financial Statements

for the financial year ended 30 June 2019

59 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

	Effect of adopting MFRS 9 1 July 2018 The Group RM'000	The Bank RM'000
Other liabilities		
Closing balance under MFRS 139 as at 30 June 2018	4,719,446	3,932,169
- recognition of expected credit losses under MFRS 9	6,920	6,749
Opening balance under MFRS 9 as at 1 July 2018	4,726,366	3,938,918
Retained profits		
Closing balance under MFRS 139 as at 30 June 2018	15,184,533	11,212,525
- transfer from regulatory reserves	4,280	32,008
- unrealised gain on financial assets at FVTPL transfer from other reserves	341,984	339,495
- remeasurement of fair value of financial instruments	(143,555)	(143,555)
- remeasurement of loans, advances and financing	28,966	13,393
- recognition of expected credit losses under MFRS 9	(373,610)	(344,233)
- tax effect arising from adoption of MFRS 9	66,454	65,391
Opening balance under MFRS 9 as at 1 July 2018	15,109,052	11,175,024
Regulatory reserves		
Closing balance under MFRS 139 as at 30 June 2018	752,939	637,098
- transfer to retained profits	(4,280)	(32,008)
Opening balance under MFRS 9 as at 1 July 2018	748,659	605,090
Other reserves		
Closing balance under MFRS 139 as at 30 June 2018	947,991	406,668
- reversal of unrealised loss on financial investments at FVOCI	3,706	3,706
- unrealised gain on financial investments at FVOCI reclassified from financial investments held-to-maturity	10,914	8,976
- remeasurement of debt instruments at amortised cost previously held at financial investments available-for-sale	38,776	35,134
- unrealised gain on financial assets at FVTPL transfer to retained profits	(341,984)	(339,495)
Opening balance under MFRS 9 as at 1 July 2018	659,403	114,989
Provision for taxation		
Closing balance under MFRS 139 as at 30 June 2018	211,619	171,958
- tax effect arising from adoption of MFRS 9	(80,534)	(78,134)
Opening balance under MFRS 9 as at 1 July 2018	131,085	93,824

59 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) The following table is a reconciliation of the impairment allowance from the closing balance as at 30 June 2018 in accordance with MFRS 139 to the opening balance as at 1 July 2018 in accordance with MFRS 9:

The Group	MFRS 139 balance as at 30 June 2018 RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 July 2018 RM'000
Cash and short-term funds	-	463	463
Deposits and placements with banks and other financial institutions	-	281	281
Financial investments at fair value through other comprehensive income	-	6,881	6,881
Financial investments at amortised cost	-	830	830
Loans, advances and financing	1,006,902	358,235	1,365,137
Other liabilities	-	6,920	6,920
	1,006,902	373,610	1,380,512

The Bank	MFRS 139 balance as at 30 June 2018 RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 July 2018 RM'000
Cash and short-term funds	-	69	69
Deposits and placements with banks and other financial institutions	-	229	229
Financial investments at fair value through other comprehensive income	-	6,838	6,838
Financial investments at amortised cost	-	827	827
Loans, advances and financing	801,663	329,521	1,131,184
Other liabilities	-	6,749	6,749
	801,663	344,233	1,145,896

(iii) Presentation of interest for derivatives and other financial instruments measured at FVTPL

MFRS 9 introduced a consequential amendment to paragraph 82(a) of MFRS 1 'Presentation of Financial Statements', which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest/profit revenue calculated using the effective interest/profit method should be separately presented as a component of revenue on the face of the income statement.

The effective interest/profit method does not apply to derivatives and other instruments measured at FVTPL. The interest/profit arising on such instruments should not be included in the line item of 'interest/profit income' (except for gains and losses arising from related hedging instruments that are accounted for as hedges under MFRS 9).

Accordingly, the Group and the Bank have changed the classification of interest/profit income for financial assets measured at FVTPL and derivative instruments from 'Interest income' to 'Interest income for financial assets at FVTPL' as reflected in Note 34b.

60 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, private consumption, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;

(ii) Choosing appropriate models and assumptions for the measurement of ECL;

(iii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 51(d)(viii) to the financial statements.

61 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia. The registered office is at Level 30, Menara Hong Leong, No.6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 September 2019.

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Kong Khoon and Chok Kwee Bee, two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 151 to 352 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 30 June 2019 and the financial performance and the cash flows of the Group and the Bank for the financial year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

On behalf of the Board,

Tan Kong Khoon

Chok Kwee Bee

Kuala Lumpur
11 September 2019

Statutory Declaration
Pursuant to Section 251(1) of the Companies Act 2016

I, Chew Seong Aun, the person primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the, financial statements set out on pages 151 to 352 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 Chew Seong Aun at)
Kuala Lumpur in Wilayah Persekutuan on)
11 September 2019) **Chew Seong Aun**
MIA No. 10114

Before me,

Tan Seok Kett
Commissioner of Oaths

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements of Hong Leong Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 151 to 352.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Report on the Audit of the Financial Statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Impairment of loans, advances and financing for the Group and the Bank

Refer to Note N of the summary of significant accounting policies, and Notes 11 and 39 to the financial statements.

The Group and the Bank have adopted MFRS 9 'Financial Instruments' with a date of transition 1 July 2018.

MFRS 9 introduces an expected credit losses ("ECL") impairment model for financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

We focused on this area due to the significant size of the carrying value of loans, advances and financing, which represented 65.7% and 64.3% of total assets for the Group and the Bank, respectively. In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas:

<u>Identification of Stage 2 and Stage 3 loans, advances and financing</u>
• Assessment of objective evidence of impairment of loans, advances and financing based on obligatory and judgmental triggers for Stage 3 loans, advances and financing; and

• Identification of loans, advances and financing that have experienced a significant increase in credit risk for Stage 2 loans, advances and financing.

<u>Individual assessment</u>
• Estimates on the amount and timing of future cash flows based on realisation of collateral.</td><td>We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered:

• Identification of loans, advances and financing that displayed objective evidence of impairment or loans, advances and financing that have experienced significant increase in credit risk;

• Governance over the impairment processes, including model development, model approval and model validation;

• Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used in the respective ECL models; and

• Review and approval of the ECL calculation.

<u>Individual assessment</u>
Where the loans, advances and financing are individually assessed, we performed the following procedures:

• Examined a sample of loans, advances and financing focused on loans, advances and financing identified by the Group and the Bank as having lower credit quality, rescheduled and restructured, and borrowers with exposures in oil and gas, oil palm plantations, and property development industry and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment; and

• Where objective evidence of impairment was identified and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group and the Bank in the impairment loss calculation, challenged the assumptions and compared estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed.</td></tr>
</table>

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Collective assessment
• Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model;

• Assumptions used in the ECL models, which are expected future cash flows, forward-looking macroeconomic factors and datasets to be used as inputs to the models.</td><td>Collective assessment
To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have performed the following procedures:

• Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the Group and the Bank to determine the key assumptions used in respective ECL models;

• Assessed and tested the significant modelling assumptions, including the basis or judgment used for management's overlays;

• Assessed and considered reasonableness of forward-looking forecasts assumptions; and

• Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis.

Based on the procedures performed, the outcome of our independent testing results were not significantly different from the Group's and the Bank's assessment on impairment of loans, advances and financing.</td></tr>
</table>

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises:

- Chairman's Statement
- Group Managing Director/Chief Executive Officer's Review
- Management Discussion & Analysis
- Five Year Group Financial Highlights
- Sustainability Statement
- Board Audit Committee Report
- Board Risk Management Committee Report
- Corporate Governance, Risk Management & Internal Control
- Directors' Report
- Basel II Pillar 3 Disclosures

Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

Report on the Audit of the Financial Statements (continued)

Information other than the financial statements and auditors' report thereon (continued)

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Independent Auditors' Report

to the members of Hong Leong Bank Berhad

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NG YEE LING
03032/01/2021 J
Chartered Accountant

Kuala Lumpur
11 September 2019

Basel II Pillar 3 Disclosures

for the financial year ended 30 June 2019

1. INTRODUCTION

This document discloses Hong Leong Bank Berhad ("HLB" or "the Bank") and its banking subsidiaries' (collectively known as "the Group") risk profile, risk management practices in accordance with the disclosure requirements as outlined in the Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II) ("RWCAF") - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Bank ("CAFIB") - Disclosure requirements (Pillar 3) issued by BNM.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components), which sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Countercyclical Capital Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

The Group and the Bank have adopted the Standardised Approach for the computation of Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

The following information concerning the Group's risk exposures, risk management practices and capital adequacy is disclosed as accompanying information to the annual report and does not form part of the audited financial statements.

2. SCOPE OF APPLICATION

The capital adequacy ratios of the Group consist of capital base and RWA derived from the consolidated balances of the Bank and its banking subsidiaries, namely Hong Leong Islamic Bank Berhad ("HLISB"), Hong Leong Bank Vietnam Limited and Hong Leong Bank (Cambodia) PLC.

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as disclosed in Note 2A to the financial statements, except where deductions from eligible capital are required under BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) or where separation requirements (set by BNM) are met by entities.

During the course of the year, the Bank and its banking subsidiaries did not experience any restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

3. CAPITAL STRUCTURE AND ADEQUACY

The Group monitors the capital adequacy position of the Bank and its banking subsidiaries to ensure compliance with the requirements of BNM and to take prompt actions to address projected capital deficiency. The capital position is reviewed on a monthly basis and taking into account the levels and trends of material risks. The sufficiency of capital is assessed against various risks on the balance sheet as well as future capital requirements based on the Group's business plans.

The Group has also formalised an overall capital management and planning policy, which seeks to ensure that it is in line with Basel III Capital Standards.

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 2019. BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the minimum capital adequacy ratios for the banking institutions and the methodologies for calculating these ratios. As at 30 June 2019, the Group's and the Bank's CET I, Tier I capital ratio and Total capital ratio were higher than BNM's minimum requirements.

BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) set out the constituents of the total eligible capital for the Group and the Bank. For the main features of these capital instruments, please refer to Note 28, Note 29 and Note 30 to the financial statements.

Basel III

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Before deducting proposed dividends				
CET I capital ratio	**13.627%**	13.113%	**13.266%**	12.545%
Tier I capital ratio	**14.585%**	13.797%	**14.074%**	12.997%
Total capital ratio	**16.839%**	16.752%	**16.203%**	16.301%
After deducting proposed dividends				
CET I capital ratio	**13.113%**	12.614%	**12.640%**	11.949%
Tier I capital ratio	**14.072%**	13.298%	**13.448%**	12.401%
Total capital ratio	**16.326%**	16.253%	**15.577%**	15.706%

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	30 June 2019 RM'000	**30 June 2018 RM'000**	**30 June 2019 RM'000**	**30 June 2018 RM'000**
CET I capital				
Paid-up share capital	**7,739,063**	7,739,063	**7,739,063**	7,739,063
Retained profits	**16,686,412**	15,184,533	**12,034,337**	11,212,525
Other reserves	**849,361**	868,134	**315,816**	298,837
Less: Treasury shares	**(727,817)**	(732,267)	**(727,817)**	(732,267)
Less: Deferred tax assets	**(16,030)**	(53,067)	**-**	(47,908)
Less: Other intangible assets	**(125,225)**	(152,541)	**(110,895)**	(137,166)
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)
Less: Investment in subsidiary companies/associated companies/joint venture	**(4,106,375)**	(3,830,517)	**(2,726,932)**	(2,778,569)
Total CET I capital	**18,468,077**	17,192,026	**14,752,025**	13,782,968

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows: (continued)

	The Group		The Bank	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	**799,523**	399,393	**799,523**	399,393
Innovative Tier I capital securities	**499,498**	497,562	**499,498**	497,562
Additional Tier I capital before regulatory adjustments	**1,299,021**	896,955	**1,299,021**	896,955
Less: Investments in Additional Tier 1 perpetual subordinated sukuk wakalah	**-**	-	**(400,000)**	(400,000)
Additional Tier I capital after regulatory adjustments	**1,299,021**	896,955	**899,021**	496,955
Total Tier I capital	**19,767,098**	18,088,981	**15,651,046**	14,279,923
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves#	**1,554,893**	-	**1,267,205**	-
Collective assessment allowance^ and regulatory reserves#	**-**	1,375,082	**-**	1,130,670
Subordinated bonds	**1,499,970**	2,499,820	**1,499,970**	2,499,820
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	**-**	-	**(400,000)**	-
Tier II capital before regulatory adjustments	**3,054,863**	3,874,902	**2,367,175**	3,630,490
Less: Investment in subsidiary companies/associated companies/joint venture	**-**	-	**-**	-
Total Tier II capital	**3,054,863**	3,874,902	**2,367,175**	3,630,490
Total Capital	**22,821,961**	21,963,883	**18,018,221**	17,910,413

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM847,070,000 (2018: RM741,694,000) and RM695,197,000 (2018: RM637,098,000) respectively.

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

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 2019 RM'000	**30 June 2018 RM'000**	**30 June 2019 RM'000**	**30 June 2018 RM'000**
Credit risk*	**124,391,420**	118,853,998	**101,376,433**	98,504,099
Market risk	**2,558,573**	3,850,444	**2,595,185**	4,140,291
Operational risk	**8,577,308**	8,403,939	**7,233,933**	7,226,134
Total RWA	**135,527,301**	131,108,381	**111,205,551**	109,870,524

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,294,000 is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	30 June 2019	**30 June 2018**
Before deducting proposed dividends		
CET I capital ratio	**10.529%**	10.461%
Tier I capital ratio	**12.258%**	12.404%
Total capital ratio	**15.150%**	15.477%
After deducting proposed dividends		
CET I capital ratio	**10.529%**	10.461%
Tier I capital ratio	**12.258%**	12.404%
Total capital ratio	**15.150%**	15.477%

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows:

The Group	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2019				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	32,413,829	32,413,829	-	-
Public Sector Entities	349,789	349,789	69,958	5,597
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	10,942,522	10,942,522	3,588,762	287,101
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	26,089	25,789	25,789	2,063
Corporates	38,974,262	37,834,678	34,599,505	2,767,960
Regulatory Retail	57,377,724	56,931,065	43,066,778	3,445,342
Residential Mortgages	44,884,425	44,866,727	19,885,853	1,590,868
Higher Risk Assets	101,117	101,117	151,675	12,134
Other Assets	10,943,545	10,943,545	8,629,040	690,323
Defaulted Exposures	740,357	737,992	897,500	71,800
Total On-Balance Sheet Exposures	196,753,659	195,147,053	110,914,860	8,873,188
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") Derivatives	1,522,871	1,522,871	749,869	59,990
Credit Derivatives	5,146	5,146	1,029	82
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,068,292	14,885,626	12,685,353	1,014,828
Defaulted Exposures	26,976	26,748	40,309	3,225
Total Off-Balance Sheet Exposures	16,623,285^	16,440,391	13,476,560	1,078,125
Total On and Off-Balance Sheet Exposures	213,376,944	211,587,444	124,391,420	9,951,313
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	70,894,251	67,912,159	2,244,594	179,568
Foreign Currency Risk	275,919	246,955	283,554	22,684
Option Risk	-	-	30,425	2,434
Total	71,170,170	68,159,114	2,558,573	204,686
Operational Risk			8,577,308	686,185
Total RWA and Capital Requirements			135,527,301	10,842,184

Note:
CRM - credit risk mitigation
^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 394.

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3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Group	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2018				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	33,253,839	33,253,839	-	-
Public Sector Entities	293,642	293,642	58,728	4,698
Banks, DFIs and MDBs	12,374,681	12,374,681	4,336,113	346,889
Insurance Cos, SF and FM	76,719	76,468	76,468	6,117
Corporates	37,923,078	36,979,415	33,624,769	2,689,982
Regulatory Retail	59,751,355	59,277,000	44,559,396	3,564,752
Residential Mortgages	35,024,844	35,006,876	13,941,243	1,115,299
Higher Risk Assets	513,647	513,634	770,451	61,636
Other Assets	10,629,659	10,629,659	8,471,458	677,717
Defaulted Exposures	796,925	795,261	930,002	74,400
Total On-Balance Sheet Exposures	190,638,389	189,200,475	106,768,628	8,541,490
Off-Balance Sheet Exposures				
OTC Derivatives	3,314,510	3,314,510	1,452,642	116,211
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,566,377	12,385,329	10,484,437	838,755
Defaulted Exposures	99,308	98,860	148,291	11,863
Total Off-Balance Sheet Exposures	15,980,195^	15,798,699	12,085,370	966,829
Total On and Off-Balance Sheet Exposures	206,618,584	204,999,174	118,853,998	9,508,319
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	81,609,842	87,000,464	3,564,594	285,168
Foreign Currency Risk	274,973	274,561	277,495	22,200
Option Risk	-	-	8,355	668
Total	81,884,815	87,275,025	3,850,444	308,036
Operational Risk			8,403,939	672,315
Total RWA and Capital Requirements			131,108,381	10,488,670

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 395.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2019				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	24,812,946	24,812,946	-	-
Public Sector Entities	349,789	349,789	69,958	5,597
Banks, DFIs and MDBs	10,467,756	10,467,756	3,453,840	276,307
Insurance Cos, SF and FM	25,072	24,772	24,772	1,982
Corporates	32,151,874	31,046,040	28,221,344	2,257,707
Regulatory Retail	45,674,263	45,252,363	34,002,873	2,720,230
Residential Mortgages	35,248,083	35,232,074	15,356,050	1,228,484
Higher Risk Assets	89,834	89,834	134,751	10,780
Other Assets	10,395,183	10,395,183	8,775,520	702,042
Defaulted Exposures	633,964	631,952	794,345	63,548
Total On-Balance Sheet Exposures	159,848,764	158,302,709	90,833,453	7,266,677
Off-Balance Sheet Exposures				
OTC Derivatives	1,397,057	1,397,057	682,779	54,622
Credit Derivatives	5,146	5,146	1,029	82
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,735,815	11,561,799	9,821,704	785,736
Defaulted Exposures	25,054	24,857	37,468	2,997
Total Off-Balance Sheet Exposures	13,163,072^	12,988,859	10,542,980	843,437
Total On and Off-Balance Sheet Exposures	173,011,836	171,291,568	101,376,433	8,110,114
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	67,656,252	65,189,455	2,320,516	185,641
Foreign Currency Risk	236,609	244,244	244,244	19,540
Option Risk	-	-	30,425	2,434
Total	67,892,861	65,433,699	2,595,185	207,615
Operational Risk			7,233,933	578,715
Total RWA and Capital Requirements			111,205,551	8,896,444

Note:
^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 396.

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3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
30 June 2018				
Exposure Class				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	25,889,320	25,889,320	-	-
Public Sector Entities	293,642	293,642	58,728	4,698
Banks, DFIs and MDBs	11,879,555	11,879,555	4,213,658	337,093
Insurance Cos, SF and FM	76,719	76,468	76,468	6,117
Corporates	31,903,408	30,990,682	28,010,323	2,240,826
Regulatory Retail	46,902,551	46,448,026	34,875,627	2,790,050
Residential Mortgages	29,603,112	29,587,161	11,736,665	938,933
Higher Risk Assets	511,240	511,229	766,844	61,348
Other Assets	10,087,647	10,087,647	8,167,547	653,404
Defaulted Exposures	652,988	651,333	774,061	61,925
Total On-Balance Sheet Exposures	157,800,182	156,415,063	88,679,921	7,094,394
Off-Balance Sheet Exposures				
OTC Derivatives	3,111,793	3,111,793	1,340,588	107,247
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	10,161,502	9,984,689	8,423,777	673,902
Defaulted Exposures	40,322	39,875	59,813	4,785
Total Off-Balance Sheet Exposures	13,313,617^	13,136,357	9,824,178	785,934
Total On and Off-Balance Sheet Exposures	171,113,799	169,551,420	98,504,099	7,880,328
Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	77,171,881	82,913,341	3,870,586	309,647
Foreign Currency Risk	261,350	258,417	261,350	20,908
Option Risk	-	-	8,355	668
Total	77,433,231	83,171,758	4,140,291	331,223
Operational Risk			7,226,134	578,091
Total RWA and Capital Requirements			109,870,524	8,789,642

Note:

^ The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 397.

4. RISK MANAGEMENT

The Group has implemented a risk management and internal control framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The risk management and internal control framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

As part of the risk management and internal control framework, the Group has formulated and implemented an Internal Capital Adequacy Assessment Process ("ICAAP") and a capital management framework to ensure that it maintains the appropriate level of capital, the appropriate quality and structure of capital and the appropriate risk profile to support its strategic objectives. This also includes determining the Group's minimum capital threshold and target capital levels.

From a governance perspective, the Board has the overall responsibility to define the Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the risk management and internal control framework as well as the attendant capital management framework, risk appetite statement, risk management and compliance strategies, and risk management and compliance policies.

Dedicated management level committees are established by the Group to oversee the development and the effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

Operationally, the Group operates multiple lines of defences to effect a robust control framework. The business units being the first line of defence are responsible for identifying, mitigating and managing risks within their lines of business. The Group Risk Management ("GRM") function being the second line of defence, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and mitigation of risks. In addition, GRM undertakes validation to ensure that the business and operating units are in compliance to the Group's risk appetite thresholds and to the regulatory requirements. The GRM's functions cover the oversight of the following areas: Market Risk, Interest Rate Risk in the Banking Book, Liquidity Risk, Credit Portfolio Risk, Technology Risk, Operational Risk, ICAAP and Integrated Stress Testing and Islamic Banking Risk.

The Group Internal Audit function, being the third line of defence, is responsible to provide independent assurance on the effective functioning of the risk management and internal controls framework for the Group.

The risk management process for each key risk area of the Group and the various risk exposures are described in the following section of the Pillar 3 disclosures.

(A) Credit risk

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Group.

The Group has established a credit risk management framework to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the Credit Supervisory Committee ("CSC") and the BRMC, and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the CSC. The Board delegates the approving and discretionary authority to the MCC, CSC and the various personnel of the Bank based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Group's exposure to credit risk is mainly from its retail customers, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts.

The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

Under the Basel II Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk weighted assets. This is applicable for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios.

The approved External Credit Assessment Institutions ("ECAI") ratings and the prescribed risk weights on the above stated asset classes are used in the computation of regulatory capital. An exposure would be deemed to have an external rating if the issuer or the issue has a rating provided by an ECAI. In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed unrated and shall be accorded a risk weight appropriate for unrated exposures in their respective exposure category.

The ECAI used by the Bank are Fitch Ratings, Moody's Investors Service, Standard & Poor's, Rating and Investment Inc ("R&I"), Malaysia Rating Corporation Berhad ("MARC") and Rating Agency Malaysia ("RAM"). ECAI ratings are mapped to a common credit quality grade as prescribed by BNM.

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

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

The Group	Malaysia RM'000	Other countries RM'000	Total RM'000
30 June 2019			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**4,558,918**	**200,330**	**4,759,248**
Financial investments at fair value through other comprehensive income*	**20,925,358**	**2,884,821**	**23,810,179**
Financial investments at amortised cost	**14,621,619**	**531,580**	**15,153,199**
Loans, advances and financing	**129,215,956**	**7,092,261**	**136,308,217**
Derivative financial instruments	**497,996**	**30,260**	**528,256**
Total On-Balance Sheet Exposures	**169,819,847**	**10,739,252**	**180,559,099**
Off-Balance Sheet Exposures^			
OTC Derivatives	**518,443**	**1,004,428**	**1,522,871**
Credit Derivatives	**5,146**	**-**	**5,146**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**15,830,881**	**(735,613)**	**15,095,268**
Total Off-Balance Sheet Exposures	**16,354,470**	**268,815**	**16,623,285**
Total On and Off-Balance Sheet Exposures	**186,174,317**	**11,008,067**	**197,182,384**
30 June 2018			
On-Balance Sheet Exposures			
Financial assets held-for-trading*	5,868,654	101,218	5,969,872
Financial investments available-for-sale*	21,317,922	2,976,762	24,294,684
Financial investments held-to-maturity	13,911,820	524,638	14,436,458
Loans, advances and financing	121,547,921	6,511,184	128,059,105
Derivative financial instruments	882,739	35,328	918,067
Total On-Balance Sheet Exposures	163,529,056	10,149,130	173,678,186
Off-Balance Sheet Exposures^			
OTC Derivatives	3,246,165	68,345	3,314,510
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,493,817	171,868	12,665,685
Total Off-Balance Sheet Exposures	15,739,982	240,213	15,980,195
Total On and Off-Balance Sheet Exposures	179,269,038	10,389,343	189,658,381

Note:

(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 394 and page 395.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows: (continued)

The Bank	Malaysia RM'000	Other countries RM'000	Total RM'000
30 June 2019			
On-Balance Sheet Exposures			
Financial assets at fair value through profit or loss*	**4,043,623**	**200,330**	**4,243,953**
Financial investments at fair value through other comprehensive income*	**17,969,178**	**2,732,489**	**20,701,667**
Financial investments at amortised cost	**10,381,793**	**512,712**	**10,894,505**
Loans, advances and financing	**103,719,693**	**5,215,277**	**108,934,970**
Derivative financial instruments	**492,781**	**30,214**	**522,995**
Total On-Balance Sheet Exposures	**136,607,068**	**8,691,022**	**145,298,090**
Off-Balance Sheet Exposures^			
OTC Derivatives	**393,524**	**1,003,533**	**1,397,057**
Credit Derivatives	**5,146**	**-**	**5,146**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**12,597,499**	**(836,630)**	**11,760,869**
Total Off-Balance Sheet Exposures	**12,996,169**	**166,903**	**13,163,072**
Total On and Off-Balance Sheet Exposures	**149,603,237**	**8,857,925**	**158,461,162**
30 June 2018			
On-Balance Sheet Exposures			
Financial assets held-for-trading*	5,517,817	101,218	5,619,035
Financial investments available-for-sale*	18,538,780	2,911,548	21,450,328
Financial investments held-to-maturity	10,468,142	437,936	10,906,078
Loans, advances and financing	99,185,037	5,089,866	104,274,903
Derivative financial instruments	897,603	35,323	932,926
Total On-Balance Sheet Exposures	134,607,379	8,575,891	143,183,270
Off-Balance Sheet Exposures^			
OTC Derivatives	3,046,499	65,294	3,111,793
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	10,109,620	92,204	10,201,824
Total Off-Balance Sheet Exposures	13,156,119	157,498	13,313,617
Total On and Off-Balance Sheet Exposures	147,763,498	8,733,389	156,496,887

Note:

(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 396 and page 397.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

The Group	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2019										
Agriculture	-	117,121	-	2,537,496	-	2,654,617	-	375,991	375,991	3,030,608
Mining and quarrying	-	85,623	-	109,767	-	195,390	-	84,139	84,139	279,529
Manufacturing	-	-	-	9,995,994	-	9,995,994	-	2,686,836	2,686,836	12,682,830
Electricity, gas and water	15,124	2,123,206	816,281	223,037	-	3,177,648	-	203,484	203,484	3,381,132
Construction	58,076	346,009	-	3,002,638	-	3,406,723	-	922,511	922,511	4,329,234
Wholesale and retail	-	41,996	-	11,275,506	-	11,317,502	-	2,275,710	2,275,710	13,593,212
Transport, storage and communications	-	543,711	-	3,699,673	-	4,243,384	-	303,238	303,238	4,546,622
Finance, insurance, real estate and business services	364,729	10,537,703	2,020,015	10,141,388	511,480	23,575,315	1,528,017	1,553,185	3,081,202	26,656,517
Government and government agencies	4,321,319	10,014,810	12,316,903	-	-	26,653,032	-	17,599	17,599	26,670,631
Education, health and others	-	-	-	1,667,048	-	1,667,048	-	164,451	164,451	1,831,499
Household	-	-	-	92,943,939	15,770	92,959,709	-	6,465,428	6,465,428	99,425,137
Others	-	-	-	711,731	1,006	712,737	-	42,696	42,696	755,433
Total On and Off-Balance Sheet Exposures	**4,759,248**	**23,810,179**	**15,153,199**	**136,308,217**	**528,256**	**180,559,099**	**1,528,017**	**15,095,268**	**16,623,285**	**197,182,384**

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Group	Financial assets held-for-trading* RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2018										
Agriculture	-	99,232	-	2,665,114	-	2,764,346	-	327,826	327,826	3,092,172
Mining and quarrying	-	40,280	-	147,534	-	187,814	-	56,413	56,413	244,227
Manufacturing	-	-	-	9,586,845	-	9,586,845	-	2,344,396	2,344,396	11,931,241
Electricity, gas and water	20,170	2,179,768	60,949	201,063	-	2,461,950	-	69,563	69,563	2,531,513
Construction	-	266,875	-	2,742,754	-	3,009,629	-	642,003	642,003	3,651,632
Wholesale and retail	-	39,359	-	10,581,176	-	10,620,535	-	1,968,266	1,968,266	12,588,801
Transport, storage and communications	-	320,204	-	3,332,904	-	3,653,108	-	163,341	163,341	3,816,449
Finance, insurance, real estate and business services	2,672,772	12,316,293	30,866	9,531,963	918,067	25,469,961	3,314,510	1,302,848	4,617,358	30,087,319
Government and government agencies	3,276,930	9,032,673	14,344,643	-	-	26,654,246	-	309	309	26,654,555
Education, health and others	-	-	-	1,728,563	-	1,728,563	-	64,835	64,835	1,793,398
Household	-	-	-	86,942,754	-	86,942,754	-	5,688,101	5,688,101	92,630,855
Others	-	-	-	598,435	-	598,435	-	37,784	37,784	636,219
Total On and Off-Balance Sheet Exposures	5,969,872	24,294,684	14,436,458	128,059,105	918,067	173,678,186	3,314,510	12,665,685	15,980,195	189,658,381

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank	Financial assets at fair value through profit or loss* RM'000	Financial investments at fair value through other comprehensive income* RM'000	Financial investments at amortised cost RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2019										
Agriculture	-	117,121	-	1,712,903	-	1,830,024	-	163,115	163,115	1,993,139
Mining and quarrying	-	85,623	-	96,689	-	182,312	-	79,865	79,865	262,177
Manufacturing	-	-	-	8,250,198	-	8,250,198	-	2,177,507	2,177,507	10,427,705
Electricity, gas and water	15,124	1,674,949	547,639	167,645	-	2,405,357	-	31,144	31,144	2,436,501
Construction	58,076	325,407	-	2,424,506	-	2,807,989	-	714,855	714,855	3,522,844
Wholesale and retail	-	41,996	-	9,856,185	-	9,898,181	-	1,895,944	1,895,944	11,794,125
Transport, storage and communications	-	538,586	-	3,516,933	-	4,055,519	-	263,998	263,998	4,319,517
Finance, insurance, real estate and business services	364,729	9,487,195	1,882,981	8,590,203	506,219	20,831,327	1,402,203	892,480	2,294,683	23,126,010
Government and government agencies	3,806,024	8,430,790	8,463,885	-	-	20,700,699	-	17,599	17,599	20,718,298
Education, health and others	-	-	-	846,902	-	846,902	-	95,710	95,710	942,612
Household	-	-	-	73,410,853	15,770	73,426,623	-	5,393,962	5,393,962	78,820,585
Others	-	-	-	61,953	1,006	62,959	-	34,690	34,690	97,649
Total On and Off-Balance Sheet Exposures	4,243,953	20,701,667	10,894,505	108,934,970	522,995	145,298,090	1,402,203	11,760,869	13,163,072	158,461,162

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank	Financial assets held-for-trading* RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC and credit derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
30 June 2018										
Agriculture	-	99,232	-	1,737,836	-	1,837,068	-	160,476	160,476	1,997,544
Mining and quarrying	-	40,280	-	108,005	-	148,285	-	56,285	56,285	204,570
Manufacturing	-	-	-	8,458,984	-	8,458,984	-	1,926,427	1,926,427	10,385,411
Electricity, gas and water	20,170	1,744,943	60,949	148,231	-	1,974,293	-	23,857	23,857	1,998,150
Construction	-	201,515	-	2,174,120	-	2,375,635	-	486,820	486,820	2,862,455
Wholesale and retail	-	39,359	-	9,534,675	-	9,574,034	-	1,701,040	1,701,040	11,275,074
Transport, storage and communications	-	315,169	-	3,184,093	-	3,499,262	-	128,508	128,508	3,627,770
Finance, insurance, real estate and business services	2,472,962	11,653,156	30,866	8,193,488	932,926	23,283,398	3,111,793	877,743	3,989,536	27,272,934
Government and government agencies	3,125,903	7,356,674	10,814,263	-	-	21,296,840	-	309	309	21,297,149
Education, health and others	-	-	-	907,090	-	907,090	-	57,665	57,665	964,755
Household	-	-	-	69,757,031	-	69,757,031	-	4,750,575	4,750,575	74,507,606
Others	-	-	-	71,350	-	71,350	-	32,119	32,119	103,469
Total On and Off-Balance Sheet Exposures	5,619,035	21,450,328	10,906,078	104,274,903	932,926	143,183,270	3,111,793	10,201,824	13,313,617	156,496,887

* Excludes equity securities.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

The Group	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2019				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	**342,982**	**3,542,503**	**873,763**	**4,759,248**
Financial investments at fair value through other comprehensive income*	**3,765,170**	**16,154,118**	**3,890,891**	**23,810,179**
Financial investments at amortised cost	**78,519**	**13,163,875**	**1,910,805**	**15,153,199**
Loans, advances and financing	**25,758,347**	**15,511,681**	**95,038,189**	**136,308,217**
Derivative financial instruments	**214,108**	**232,572**	**81,576**	**528,256**
Total On-Balance Sheet Exposures	**30,159,126**	**48,604,749**	**101,795,224**	**180,559,099**
Off-Balance Sheet Exposures^				
OTC Derivatives	**1,283,532**	**127,794**	**111,545**	**1,522,871**
Credit Derivatives	**-**	**-**	**5,146**	**5,146**
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	**6,269,467**	**8,825,801**	**-**	**15,095,268**
Total Off-Balance Sheet Exposures	**7,552,999**	**8,953,595**	**116,691**	**16,623,285**
Total On and Off-Balance Sheet Exposures	**37,712,125**	**57,558,344**	**101,911,915**	**197,182,384**
30 June 2018				
On-Balance Sheet Exposures				
Financial assets held-for-trading*	2,586,224	2,514,143	869,505	5,969,872
Financial investments available-for-sale*	2,813,489	17,610,277	3,870,918	24,294,684
Financial investments held-to-maturity	2,016,971	11,796,310	623,177	14,436,458
Loans, advances and financing	26,206,505	14,876,102	86,976,498	128,059,105
Derivative financial instruments	575,268	211,156	131,643	918,067
Total On-Balance Sheet Exposures	34,198,457	47,007,988	92,471,741	173,678,186
Off-Balance Sheet Exposures^				
OTC Derivatives	1,074,925	1,471,031	768,554	3,314,510
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,519,230	7,146,455	-	12,665,685
Total Off-Balance Sheet Exposures	6,594,155	8,617,486	768,554	15,980,195
Total On and Off-Balance Sheet Exposures	40,792,612	55,625,474	93,240,295	189,658,381

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 394 and page 395.

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4.RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows: (continued)

The Bank	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
30 June 2019				
On-Balance Sheet Exposures				
Financial assets at fair value through profit or loss*	342,982	3,232,314	668,657	4,243,953
Financial investments at fair value through other comprehensive income*	3,205,235	14,532,712	2,963,720	20,701,667
Financial investments at amortised cost	78,519	9,826,322	989,664	10,894,505
Loans, advances and financing	22,746,662	11,785,238	74,403,070	108,934,970
Derivative financial instruments	208,911	231,632	82,452	522,995
Total On-Balance Sheet Exposures	26,582,309	39,608,218	79,107,563	145,298,090
Off-Balance Sheet Exposures^				
OTC Derivatives	1,253,106	95,611	48,340	1,397,057
Credit Derivatives	-	-	5,146	5,146
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,386,510	6,374,359	-	11,760,869
Total Off-Balance Sheet Exposures	6,639,616	6,469,970	53,486	13,163,072
Total On and Off-Balance Sheet Exposures	33,221,925	46,078,188	79,161,049	158,461,162
30 June 2018				
On-Balance Sheet Exposures				
Financial assets held-for-trading*	2,386,414	2,514,143	718,478	5,619,035
Financial investments available-for-sale*	2,711,849	16,098,572	2,639,907	21,450,328
Financial investments held-to-maturity	1,395,077	8,981,439	529,562	10,906,078
Loans, advances and financing	23,382,245	11,791,544	69,101,114	104,274,903
Derivative financial instruments	569,665	234,874	128,387	932,926
Total On-Balance Sheet Exposures	30,445,250	39,620,572	73,117,448	143,183,270
Off-Balance Sheet Exposures^				
OTC Derivatives	1,054,301	1,415,153	642,339	3,111,793
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	4,996,575	5,205,249	-	10,201,824
Total Off-Balance Sheet Exposures	6,050,876	6,620,402	642,339	13,313,617
Total On and Off-Balance Sheet Exposures	36,496,126	46,240,974	73,759,787	156,496,887

* Excludes equity securities.

^ Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 396 and page 397.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows:

The Group	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/(write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2019							
Agriculture	42,365	13,684	2,056	4,316	594	506	302
Mining and quarrying	937	24,923	162	218	23,076	2,030	1
Manufacturing	130,067	107,149	22,137	15,001	55,565	629	2,619
Electricity, gas and water	3,247	301	1,562	229	171	149	-
Construction	152,151	67,566	6,404	7,687	16,420	9,011	5,798
Wholesale and retail	161,211	151,115	21,861	17,954	55,858	4,110	19,391
Transport, storage and communications	27,620	18,894	2,237	1,301	11,846	877	625
Finance, insurance, real estate and business services	310,171	100,609	16,854	21,004	14,300	5,465	1,531
Education, health and others	33,723	6,181	1,778	1,182	1,243	1,181	782
Household	7,358,648	579,599	288,565	428,732	213,767	234,565	251,150
Others	22,251	1,090	6,099	701	759	436	302
	8,242,391	1,071,111	369,715	498,325	393,599	258,959	282,501

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/(write back) for individual assessment impairment allowance and write-offs during the year as follows:

The Group	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charges/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
30 June 2018						
Agriculture	40,620	5,770	-	8,295	-	-
Mining and quarrying	1,225	50,474	21,150	1,119	12,309	-
Manufacturing	81,183	115,327	75,734	40,817	(9,946)	117,409
Electricity, gas and water	2,649	868	-	1,126	(161)	-
Construction	84,381	43,319	9,678	14,456	(2,013)	83
Wholesale and retail	154,048	200,576	68,800	54,231	15,721	1,731
Transport, storage and communications	25,304	15,922	10,895	6,684	(12,707)	-
Finance, insurance, real estate and business services	181,747	122,753	15,527	36,003	4,799	-
Education, health and others	23,362	3,826	-	6,098	-	-
Household	6,921,396	566,568	392	632,568	(110)	43
Others	5,663	99	-	3,329	-	-
	7,521,578	1,125,502	202,176	804,726	7,892	119,266

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, credit impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3), expected credit losses charges/(write back) and write-offs for Stage 3 during the period as follows: (continued)

The Bank	Past due loans, advances and financing RM'000	Credit impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000	Charges/(write back) lifetime expected credit losses-credit impaired (Stage 3) RM'000	Write-offs lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2019							
Agriculture	34,950	13,602	1,585	4,118	547	538	302
Mining and quarrying	847	4,591	144	38	2,744	2,848	1
Manufacturing	101,875	106,927	16,930	14,035	54,602	(368)	2,619
Electricity, gas and water	3,231	301	314	227	171	166	-
Construction	138,059	67,048	5,444	6,698	16,159	9,054	5,695
Wholesale and retail	131,401	145,632	17,984	16,539	54,752	3,987	19,314
Transport, storage and communications	20,410	18,888	1,902	1,229	11,844	839	566
Finance, insurance, real estate and business services	270,348	99,080	22,838	15,218	14,300	5,341	1,426
Education, health and others	20,109	6,140	1,255	584	1,202	1,136	774
Household	5,364,740	424,592	239,865	327,269	156,419	177,513	196,298
Others	22,251	1,063	3,402	701	743	734	62
	6,108,221	887,864	311,663	386,656	313,483	201,788	227,057

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(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/(write back) for individual assessment impairment allowance and write-offs during the year as follows: (continued)

The Bank	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charges/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
30 June 2018						
Agriculture	40,612	5,639	-	6,473	-	-
Mining and quarrying	1,121	474	-	1,056	-	-
Manufacturing	67,454	115,088	75,734	36,879	(9,946)	116,200
Electricity, gas and water	2,633	838	-	312	(161)	-
Construction	81,435	41,625	9,659	12,132	(1,735)	83
Wholesale and retail	119,419	186,572	68,144	47,011	18,615	1,731
Transport, storage and communications	24,184	15,880	10,895	6,168	(12,707)	-
Finance, insurance, real estate and business services	147,910	108,330	15,527	26,433	4,799	-
Education, health and others	22,150	3,826	-	3,979	-	-
Household	5,162,337	427,961	10	478,068	10	-
Others	4,388	-	-	3,183	-	-
	5,673,643	906,233	179,969	621,694	(1,125)	118,014

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(ii) The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, expected credit losses (Stage 1, 2 and 3) as follows:

The Group	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses-credit impaired (Stage 3) RM'000
30 June 2019					
Malaysia	**7,776,906**	**1,063,910**	**354,309**	**497,445**	**391,559**
Other countries	**465,485**	**7,201**	**15,406**	**880**	**2,040**
	8,242,391	**1,071,111**	**369,715**	**498,325**	**393,599**
The Bank					
30 June 2019					
Malaysia	**5,706,413**	**886,352**	**304,762**	**385,945**	**312,086**
Other countries	**401,808**	**1,512**	**6,901**	**711**	**1,397**
	6,108,221	**887,864**	**311,663**	**386,656**	**313,483**

The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

The Group	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000
30 June 2018				
Malaysia	7,325,188	1,112,810	201,267	791,192
Other countries	196,390	12,692	909	13,534
	7,521,578	1,125,502	202,176	804,726
The Bank				
30 June 2018				
Malaysia	5,526,877	904,839	179,442	614,316
Other countries	146,766	1,394	527	7,378
	5,673,643	906,233	179,969	621,694

Notes:
(1) A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.
(2) For description of approaches adopted by the Group and the Bank for the determination of expected credit losses/individual and collective assessment impairment allowances, refer to Note 2N to the financial statements.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows:

The Group	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2019				
At 1 July				1,006,902
Effect of adopting MFRS 9				358,235
At 1 July, as restated	418,235	487,757	459,145	1,365,137
Changes in ECL due to transfer within stages	(101,395)	(144,111)	245,506	-
Transfer to Stage 1	23,070	(22,825)	(245)	-
Transfer to Stage 2	(124,364)	219,679	(95,315)	-
Transfer to Stage 3	(101)	(340,965)	341,066	-
New financial assets originated	53,847	4,018	110	57,975
Financial assets derecognised	(34,796)	(42,683)	(29,024)	(106,503)
Changes due to change in credit risk	33,367	193,217	42,342	268,926
Amount written off	-	-	(282,501)	(282,501)
Exchange difference	457	127	1,578	2,162
Other movements	-	-	(43,557)	(43,557)
At 30 June	369,715	498,325	393,599	1,261,639

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iii) The table below sets out the movements in expected credit losses for loans, advances and financing during the financial year as follows: (continued)

The Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 30 June 2019				
At 1 July				801,663
Effect of adopting MFRS 9				329,521
At 1 July, as restated	367,527	388,100	375,557	1,131,184
Changes in ECL due to transfer within stages	(83,815)	(119,839)	203,654	-
Transfer to Stage 1	20,745	(20,533)	(212)	-
Transfer to Stage 2	(104,503)	173,541	(69,038)	-
Transfer to Stage 3	(57)	(272,847)	272,904	-
New financial assets originated	23,715	3,426	72	27,213
Financial assets derecognised	(13,118)	(29,233)	(16,595)	(58,946)
Changes due to change in credit risk	17,052	144,082	14,631	175,765
Amount written off	-	-	(227,057)	(227,057)
Exchange difference	302	120	1,588	2,010
Other movements	-	-	(38,367)	(38,367)
At 30 June	311,663	386,656	313,483	1,011,802

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(iv) The table below sets out the movements in individual assessment impairment allowance and collective assessment impairment allowance during the financial year as follows:

	The Group		The Bank	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Collective assessment allowance				
At 1 July	**804,726**	830,067	**621,694**	666,787
Effect of adopting MFRS 9	**(804,726)**	-	**(621,694)**	-
At 1 July, as restated	-	830,067	-	666,787
Net allowance made during the financial year	-	299,887	-	224,340
Amount written off	-	(310,061)	-	(257,615)
Unwinding income	-	(14,475)	-	(11,488)
Exchange difference	-	(692)	-	(330)
At 30 June	-	804,726	-	621,694
Individual assessment allowance				
At 1 July	**202,176**	325,426	**179,969**	310,923
Effect of adopting MFRS 9	**(202,176)**	-	**(179,969)**	-
At 1 July, as restated	-	325,426	-	310,923
Allowance made during the financial year	-	63,397	-	50,952
Amount written back in respect of recoveries	-	(55,505)	-	(52,077)
Amount written off	-	(119,266)	-	(118,014)
Unwinding income	-	(7,959)	-	(7,951)
Exchange difference	-	(3,917)	-	(3,864)
At 30 June	-	202,176	-	179,969

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight

The breakdown of credit risk exposures by risk weight is as follows:

The Group
30 June 2019

Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Exposures after Netting and Credit Risk Mitigation										
0%	32,460,427	-	-	-	-	-	-	-	1,687,423	34,147,850	-
20%	-	433,567	6,478,479	-	3,486,745	-	-	-	783,851	11,182,642	2,229,134
35%	-	-	-	-	-	-	30,649,896	-	-	30,649,896	10,727,464
50%	-	-	5,701,759	-	911,024	50,303	10,161,484	-	-	16,824,570	8,383,184
75%	-	-	-	-	-	63,900,592	94,600	-	-	63,995,192	47,996,394
100%	-	-	-	226,846	39,799,631	1,522,522	4,227,534	-	8,472,273	54,248,806	54,248,806
150%	-	-	-	-	226,211	211,043	-	101,234	-	538,488	807,732
Total	32,460,427	433,567	12,180,238	226,846	44,423,611	65,684,460	45,133,514	101,234	10,943,547	211,587,444	124,392,714
Risk Weighted Assets by Exposure	-	86,713	4,110,080	226,846	41,291,809	49,789,682	20,106,690	151,851	8,629,043	124,392,714	
Average Risk Weight	0%	20.00%	33.74%	100.00%	92.95%	75.80%	44.55%	150.00%	78.85%	58.79%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Group
30 June 2018

Risk Weight	Exposures after Netting and Credit Risk Mitigation										
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	33,432,572	-	-	-	-	-	-	-	1,995,641	35,428,213	-
20%	-	419,727	7,019,820	-	3,482,617	-	-	-	205,281	11,127,445	2,225,489
35%	-	-	-	-	-	-	28,403,704	-	-	28,403,704	9,941,296
50%	-	-	8,070,786	-	1,172,426	53,100	5,315,388	-	-	14,611,700	7,305,850
75%	-	-	-	-	-	66,158,796	91,408	-	-	66,250,204	49,687,653
100%	-	-	-	173,702	37,632,702	465,368	1,443,711	-	8,430,820	48,146,303	48,146,303
150%	-	-	-	-	322,872	195,040	-	513,693	-	1,031,605	1,547,407
Total	33,432,572	419,727	15,090,606	173,702	42,610,617	66,872,304	35,254,211	513,693	10,631,742	204,999,174	118,853,998
Risk Weighted Assets by Exposure	-	83,945	5,439,357	173,702	39,399,746	50,403,575	14,111,257	770,540	8,471,876	118,853,998	
Average Risk Weight	0%	20.00%	36.04%	100.00%	92.46%	75.37%	40.03%	150.00%	79.68%	57.98%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Bank
30 June 2019

	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	24,859,544	-	-	-	-	-	-	-	1,449,591	26,309,135	-
20%	-	424,466	6,253,543	-	2,992,631	-	-	-	212,588	9,883,228	1,976,646
35%	-	-	-	-	-	-	24,995,689	-	-	24,995,689	8,748,491
50%	-	-	5,286,532	-	877,823	36,284	7,291,943	-	-	13,492,582	6,746,291
75%	-	-	-	-	-	51,748,073	79,405	-	-	51,827,478	38,870,609
100%	-	-	-	168,135	32,020,983	291,711	3,067,749	-	8,733,001	44,281,579	44,281,579
150%	-	-	-	-	221,875	190,058	-	89,944	-	501,877	752,817
Total	24,859,544	424,466	11,540,075	168,135	36,113,312	52,266,126	35,434,786	89,944	10,395,180	171,291,568	101,376,433
Risk Weighted Assets by Exposure	-	84,893	3,893,975	168,135	33,391,233	39,405,997	15,521,765	134,916	8,775,519	101,376,433	
Average Risk Weight	0%	20.00%	33.74%	100.00%	92.46%	75.39%	43.80%	150.00%	84.42%	59.18%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk exposures by risk weight (continued)

The breakdown of credit risk exposures by risk weight is as follows: (continued)

The Bank
30 June 2018

	Exposures after Netting and Credit Risk Mitigation										
Risk Weight	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, SF and FM RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	26,068,054	-	-	-	-	-	-	-	1,757,541	27,825,595	-
20%	-	398,035	6,595,112	-	3,016,620	-	-	-	203,199	10,212,966	2,042,593
35%	-	-	-	-	-	-	24,180,583	-	-	24,180,583	8,463,204
50%	-	-	7,843,355	-	1,161,089	41,329	4,366,208	-	-	13,411,981	6,705,991
75%	-	-	-	-	-	52,271,762	86,120	-	-	52,357,882	39,268,411
100%	-	-	-	154,570	30,984,492	202,691	1,170,776	-	8,126,909	40,639,438	40,639,437
150%	-	-	-	-	251,630	160,057	-	511,288	-	922,975	1,384,463
Total	26,068,054	398,035	14,438,467	154,570	35,413,831	52,675,839	29,803,687	511,288	10,087,649	169,551,420	98,504,099
Risk Weighted Assets by Exposure	-	79,607	5,240,700	154,570	32,545,806	39,667,263	11,881,673	766,932	8,167,548	98,504,099	
Average Risk Weight	0%	20.00%	36.30%	100.00%	91.90%	75.30%	39.87%	150.00%	80.97%	58.10%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by External Credit Assessment Institutions ("ECAIs") as follows:

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & 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
30 June 2019						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		**349,789**	**-**	**-**	**-**	**83,778**
Insurance Cos, SF and FM		**-**	**-**	**-**	**-**	**226,846**
Corporates		**3,486,745**	**904,080**	**227,159**	**-**	**39,805,627**
		3,836,534	**904,080**	**227,159**	**-**	**40,116,251**
30 June 2018						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	-	-	-	419,727
Insurance Cos, SF and FM		-	-	-	-	173,702
Corporates		3,482,618	1,151,912	547,531	-	37,428,556
		3,482,618	1,151,912	547,531	-	38,021,985

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAIs (continued)

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
The Bank		RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2019						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		349,789	-	-	-	74,677
Insurance Cos, SF and FM		-	-	-	-	168,135
Corporates		2,992,632	870,966	227,159	-	32,022,555
		3,342,421	870,966	227,159	-	32,265,367
30 June 2018						
Exposure Class						
On and Off-Balance Sheet Exposures						
Public Sector Entities		-	-	-	-	398,035
Insurance Cos, SF and FM		-	-	-	-	154,570
Corporates		3,016,621	1,140,634	179,073	-	31,077,503
		3,016,621	1,140,634	179,073	-	31,630,108

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

The Group	Moody's S & P Fitch RAM MARC Rating & Investment Inc	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- RM'000	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- BB+ to B- RM'000	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D CCC+ to C RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2019							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**1,308,792**	**-**	**201,100**	**209,674**	**-**	**30,740,861**
Banks, DFIs and MDBs		**2,192,901**	**4,698,396**	**2,527,997**	**-**	**-**	**2,760,944**
		3,501,693	**4,698,396**	**2,729,097**	**209,674**	**-**	**33,501,805**
30 June 2018							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		2,548,707	711,256	173,727	171,369	-	29,827,513
Banks, DFIs and MDBs		2,191,648	4,928,137	860,462	-	-	4,266,167
		4,740,355	5,639,393	1,034,189	171,369	-	34,093,680

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs (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 & 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
30 June 2019							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		**1,175,925**	**-**	**-**	**-**	**-**	**23,683,619**
Banks, DFIs and MDBs		**3,025,415**	**4,517,750**	**2,271,804**	**-**	**-**	**1,725,106**
		4,201,340	**4,517,750**	**2,271,804**	**-**	**-**	**25,408,725**
30 June 2018							
Exposure Class							
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks		2,391,532	711,256	-	-	-	22,965,266
Banks, DFIs and MDBs		3,521,215	4,489,662	686,368	-	-	3,474,757
		5,912,747	5,200,918	686,368	-	-	26,440,023

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(iii) Short-term ratings of Banking Institutions and Corporates by approved ECAIs

The Group	Moody's S & P Fitch RAM MARC Rating & Investment Inc	P-1 A-1 F1+, F1 P-1 MARC-1 a-1+, a-1 RM'000	P-2 A-2 F2 P-2 MARC-2 a-2 RM'000	P-3 A-3 F3 P-3 MARC-3 a-3 RM'000	Others Others B to D NP MARC-4 b,c RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2019						
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		-	-	-	-	-
30 June 2018						
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		2,378,053	466,139	-	-	-

The Bank	Moody's S & P Fitch RAM MARC Rating & Investment Inc	P-1 A-1 F1+, F1 P-1 MARC-1 a-1+, a-1 RM'000	P-2 A-2 F2 P-2 MARC-2 a-2 RM'000	P-3 A-3 F3 P-3 MARC-3 a-3 RM'000	Others Others B to D NP MARC-4 b,c RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
30 June 2019						
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		-	-	-	-	-
30 June 2018						
Exposure Class						
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs		1,802,714	463,751	-	-	-

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation

The Group grants credit facilities on the basis of the borrower's credit standing, repayment and debt servicing ability. Where possible, collateral is taken to mitigate and reduce any credit risk for the particular credit facility extended. The value of the collateral is monitored periodically and where applicable, a revised valuation may be requested from the borrower. The types of collateral accepted include cash, marketable securities, properties, machineries, equipments, inventories and receivables. In certain cases, corporate guarantees are obtained where the credit worthiness of the corporate borrower is insufficient for the amount sought. There are policies and processes in place to monitor collateral concentration. For Credit Risk Management ("CRM") purposes, only collateral or guarantees that are legally enforceable are taken into account. The credit exposures are computed on a net basis only when there is a legally enforceable netting arrangements for loans and deposits. The Group and the Bank use the Comprehensive Approach for computation of the adjusted exposures.

The following table summarises the breakdown of CRM by exposure as follows:

The Group	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2019			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	32,413,829	-	-
Public Sector Entities	349,789	-	-
Banks, DFIs and MDBs	10,942,522	-	-
Insurance Cos, SF and FM	26,089	-	300
Corporates	38,974,262	-	1,139,584
Regulatory Retail	57,377,724	-	446,659
Residential Mortgages	44,884,425	-	17,698
Higher Risk Assets	101,117	-	-
Other Assets	10,943,545	-	-
Defaulted Exposures	740,357	-	2,365
Total On-Balance Sheet Exposures	196,753,659	-	1,606,606
Off-Balance Sheet Exposures			
OTC Derivatives	1,522,871	-	-
Credit Derivatives	5,146	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,068,292	-	182,666
Defaulted Exposures	26,976	-	228
Total Off-Balance Sheet Exposures	16,623,285	-	182,894
Total On and Off-Balance Sheet Exposures	213,376,944	-	1,789,500

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Group	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2018			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	33,253,839	-	-
Public Sector Entities	293,642	-	-
Banks, DFIs and MDBs	12,374,681	-	-
Insurance Cos, SF and FM	76,719	-	251
Corporates	37,923,078	-	943,663
Regulatory Retail	59,751,355	-	474,355
Residential Mortgages	35,024,844	-	17,968
Higher Risk Assets	513,647	-	13
Other Assets	10,629,659	-	-
Defaulted Exposures	796,925	-	1,664
Total On-Balance Sheet Exposures	190,638,389	-	1,437,914
Off-Balance Sheet Exposures			
OTC Derivatives	3,314,510	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,566,377	-	181,048
Defaulted Exposures	99,308	-	448
Total Off-Balance Sheet Exposures	15,980,195	-	181,496
Total On and Off-Balance Sheet Exposures	206,618,584	-	1,619,410

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2019			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	24,812,946	-	-
Public Sector Entities	349,789	-	-
Banks, DFIs and MDBs	10,467,756	-	-
Insurance Cos, SF and FM	25,072	-	300
Corporates	32,151,874	-	1,105,834
Regulatory Retail	45,674,263	-	421,900
Residential Mortgages	35,248,083	-	16,009
Higher Risk Assets	89,834	-	-
Other Assets	10,395,183	-	-
Defaulted Exposures	633,964	-	2,012
Total On-Balance Sheet Exposures	159,848,764	-	1,546,055
Off-Balance Sheet Exposures			
OTC Derivatives	1,397,057	-	-
Credit Derivatives	5,146	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,735,815	-	174,016
Defaulted Exposures	25,054	-	197
Total Off-Balance Sheet Exposures	13,163,072	-	174,213
Total On and Off-Balance Sheet Exposures	173,011,836	-	1,720,268

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
30 June 2018			
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	25,889,320	-	-
Public Sector Entities	293,642	-	-
Banks, DFIs and MDBs	11,879,555	-	-
Insurance Cos, SF and FM	76,719	-	251
Corporates	31,903,408	-	912,726
Regulatory Retail	46,902,551	-	454,525
Residential Mortgages	29,603,112	-	15,951
Higher Risk Assets	511,240	-	11
Other Assets	10,087,647	-	-
Defaulted Exposures	652,988	-	1,655
Total On-Balance Sheet Exposures	157,800,182	-	1,385,119
Off-Balance Sheet Exposures			
OTC Derivatives	3,111,793	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	10,161,502	-	176,813
Defaulted Exposures	40,322	-	447
Total Off-Balance Sheet Exposures	13,313,617	-	177,260
Total On and Off-Balance Sheet Exposures	171,113,799	-	1,562,379

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk

Counterparty credit risk is the risk of trading counterparties' failure to honour its obligations to the Group and the Bank. To control over-exposure of counterparty credit risk, credit limits are established for each trading counterparty. The credit limits are determined individually based on its credit strength and profile, which also takes into consideration the Group's and the Bank's risk appetite and trading strategies.

Appropriate methodologies have been implemented to measure counterparty credit risk against credit limits of each trading counterparty. These measurement methodologies implemented are in line with BNM's Capital Adequacy Framework on the treatment of counterparty credit risk.

The Group and the Bank also engage in netting and margining agreements with major trading counterparties to mitigate counterparty credit risks. Under these agreements, the counterparty credit exposures are mitigated with collaterals whenever the exposures exceed the margin threshold.

Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Group and the Bank to support the financial obligations of their customers to third parties.

Non credit related contingent items represent financial products such as Performance Guarantee whose crystallisations are dependent on specific events other than default payment by the customers.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been accepted by the Group and the Bank and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Assets sold with recourse and commitments with certain drawdown represents assets sold by the Group and the Bank with recourse in the event of defects in the assets, and investment or purchase commitments entered into by the Group and the Bank, where drawdown is certain to occur.

Obligations under underwriting agreements arise from underwriting agreements relating to the issuance of equity and debts securities, where the Group and the Bank are obliged to subscribe or purchase the securities in the event the securities are not taken up when issued.

Irrevocable commitments to extend credit include all obligations on the part of the Group and the Bank to provide funding facilities or the undrawn portion of an approved credit facilities to customers.

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currencies at agreed rates of exchange on a specified future date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2019				
Commitments and Contingent Liabilities				
Direct credit substitutes	117,740	-	117,740	115,490
Transaction related contingent items	1,446,851	-	723,426	686,367
Short term self liquidating trade related contingencies	674,511	-	134,902	131,497
Irrevocable commitments to extend credit:				
- More than one year	17,720,606	-	8,859,844	7,295,087
- Less than one year	19,020,280	-	3,804,056	3,404,420
Unutilised credit card lines	7,276,500	-	1,455,300	1,092,801
	46,256,488	-	15,095,268	12,725,662
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	34,829,534	148,044	1,243,412	555,009
- One year to less than five years	3,995,994	112,655	41,933	41,934
- Five years and above	301,327	27,399	-	-
Interest/profit rate related contracts:				
- Less than one year	38,511,811	61,304	3,132	1,523
- One year to less than five years	34,300,635	130,863	72,580	45,231
- Five years and above	3,170,389	39,171	111,546	80,636
Equity related contracts:				
- Less than one year	591,385	4,760	36,988	19,304
- One year to less than five years	127,853	3,052	13,280	6,232
Credit related contracts:				
- Five years and above	82,753	1,008	5,146	1,029
	115,911,681	528,256	1,528,017	750,898
	162,168,169	528,256	16,623,285	13,476,560

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2018				
Commitments and Contingent Liabilities				
Direct credit substitutes	108,341	-	108,341	104,003
Transaction related contingent items	1,286,782	-	643,391	604,849
Short term self liquidating trade related contingencies	831,871	-	166,374	160,228
Irrevocable commitments to extend credit:				
- More than one year	14,301,856	-	7,150,928	5,882,218
- Less than one year	16,074,688	-	3,214,938	2,844,103
Unutilised credit card lines	6,908,565	-	1,381,713	1,037,327
	39,512,103	-	12,665,685	10,632,728
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	42,895,473	563,643	1,018,772	408,992
- One year to less than five years	2,640,932	77,030	306,028	161,771
- Five years and above	517,408	50,202	108,954	58,566
Interest/profit rate related contracts:				
- Less than one year	28,281,796	7,697	32,770	13,873
- One year to less than five years	46,342,804	133,243	1,115,508	481,148
- Five years and above	6,839,805	72,375	659,600	291,074
Equity related contracts:				
- Less than one year	306,258	3,928	23,383	12,470
- One year to less than five years	503,502	9,949	49,495	24,748
	128,327,978	918,067	3,314,510	1,452,642
	167,840,081	918,067	15,980,195	12,085,370

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2019				
Commitments and Contingent Liabilities				
Direct credit substitutes	64,395	-	64,395	62,145
Transaction related contingent items	1,261,524	-	630,762	593,703
Short term self liquidating trade related contingencies	638,625	-	127,725	124,319
Irrevocable commitments to extend credit:				
- More than one year	12,749,585	-	6,374,359	5,211,412
- Less than one year	15,541,640	-	3,108,328	2,774,792
Unutilised credit card lines	7,276,500	-	1,455,300	1,092,801
	37,532,269	-	11,760,869	9,859,172
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	33,337,605	142,860	1,214,682	540,592
- One year to less than five years	3,995,994	112,656	41,933	41,934
- Five years and above	301,327	27,399	-	-
Interest/profit rate related contracts:				
- Less than one year	38,511,811	61,291	1,436	676
- One year to less than five years	35,195,635	115,924	40,398	28,262
- Five years and above	3,320,389	54,045	48,340	45,779
Equity related contracts:				
- Less than one year	591,386	4,760	36,988	19,304
- One year to less than five years	127,852	3,052	13,280	6,232
Credit related contracts:				
- Five years and above	82,753	1,008	5,146	1,029
	115,464,752	522,995	1,402,203	683,808
	152,997,021	522,995	13,163,072	10,542,980

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

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4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
30 June 2018				
Commitments and Contingent Liabilities				
Direct credit substitutes	50,361	-	50,361	46,023
Transaction related contingent items	1,165,364	-	582,682	544,141
Short term self liquidating trade related contingencies	800,721	-	160,144	153,998
Irrevocable commitments to extend credit:				
- More than one year	10,410,497	-	5,205,249	4,219,031
- Less than one year	14,108,380	-	2,821,676	2,483,070
Unutilised credit card lines	6,908,565	-	1,381,712	1,037,327
	33,443,888	-	10,201,824	8,483,590
Derivative Financial Contracts				
Foreign exchange related contracts:				
- Less than one year	41,893,038	558,071	999,857	395,399
- One year to less than five years	2,640,932	77,027	306,028	161,771
- Five years and above	517,408	50,202	108,954	58,566
Interest/profit rate related contracts:				
- Less than one year	28,281,796	7,669	31,060	13,531
- One year to less than five years	48,687,804	147,895	1,059,632	452,906
- Five years and above	6,389,805	78,185	533,384	221,197
Equity related contracts:				
- Less than one year	306,258	3,928	23,383	12,470
- One year to less than five years	503,502	9,949	49,495	24,748
	129,220,543	932,926	3,111,793	1,340,588
	162,664,431	932,926	13,313,617	9,824,178

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk

Market risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest rates, foreign exchange rates, equities, spreads, volatilities and/or correlations.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. Value at Risk ("VaR"). The amount of market risk that the Bank is prepared to take for each financial year is based on the budget, business direction, its risk-taking strategies, the impact on earnings and capital utilisation. These factors are used as a basis for setting market risk limits for the Group and the Bank.

Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Asset and Liability Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.

The main market risk limits are stop loss limits, VaR limits, counterparty limits, sensitivity limits, position/instrument limits and holding period limits.

VaR is defined as the maximum loss at a specific confidence level over a specified period of time under normal market conditions. The Bank computes the Historical Simulation VaR on a daily basis based on the recent 250-days of market observations at a 99.0% confidence level.

Over the course of the financial year, the VaR of the banking group's trading book ranged between RM5.2 million to RM12.6 million with an average of RM8.6 million.

The Bank performs backtesting on VaR on a hypothetical and actual basis and the results are tabled to the Group ALCO.

In addition, stress tests are conducted regularly on the trading book. In performing stress-testing, the Bank uses the following:

(1) Scenario analysis, which is a combination of expected movements on risk factors.

(2) Historical crisis event, which is based on actual movements that occurred in the relevant risk factors. The main risk factors that are stressed are the KL Financial Bursa Composite Index, interest rates movements (for MYR, USD and other major currencies), ratings migration and Foreign Exchange spot and volatilities.

In managing interest rate risk in the banking book, the Group measures earnings at risk and economic value or capital at risk.

(C) Market Conduct Risk

Market Conduct risk is the risk that arise from either an individual or group of individual dealers of the Bank, who through non-compliant behaviour and/or behaviour that lack integrity or honesty, subjects the Bank to adverse consequences in terms of monetary losses, reputational damage and regulatory fines.

Independent market conduct risk monitoring and surveillance is carried out to detect attempts on market misconduct by Global Markets. Management oversight on market conduct is effected through the Risk and Compliance Governance Committee ("RCGC"). A robust and comprehensive market conduct surveillance policy has been established by the Bank to ensure all activities in Global Markets are in conformity with market best practices and compliance requirements, which is reviewed and concurred by the Group Assets and Liabilities Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.

4. RISK MANAGEMENT (CONTINUED)

(D) Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet financial obligations as they fall due. Financial obligations arise from withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Besides adhering to the Regulatory Liquidity Requirement, the Bank has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow.

The Bank has in place liquidity contingency funding plan and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plan sets out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet any shortfalls during liquidity crisis scenarios.

(E) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.

Management oversight on Operational Risk Management ("ORM") matters are effected through the RCGC whilst Board oversight is effected through the BRMC.

The Group's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring.

The Group adopts ORM tools such as loss event reporting, risk and control self assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls. The ultimate aim is to enhance economic performance, achievement of corporate goals and the aspirations of stakeholders.

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

(i) Risk and Control Self Assessment ("RCSA") is an assessment process on severity of potential risk and control effectiveness.

(ii) Key Risk Indicators ("KRI") is a set of measures to allow the Group to monitor and facilitate early detection of operational risks.

(iii) Loss Event Reporting ("LER") is a process for collecting and reporting operational risk events. These are further used for analysis of operational risks for the purpose of developing mitigating controls.

4. RISK MANAGEMENT (CONTINUED)

(E) Operational risk (continued)

The operational risk mitigation strategies that are implemented include:

(i) Policies and Standard Operating Procedures that define the roles and responsibilities of personnel and their respective operating limits.

(ii) Insurance against operational losses as a form of risk mitigation especially for risks which are deemed as high severity.

(iii) System of controls, established to provide reasonable assurance of effective and efficient operation.

(iv) Business Continuity Management to facilitate the continuance of business activities in the event of disaster or crisis situations by means of ensuring appropriate redundancy of systems are available.

(v) Outsourcing Management to ensure proper due diligence review is performed prior to engaging outsource service providers and continuous tracking of existing outsource service providers' performance, code of conduct, compliance, and business viability.

(F) Financial hedges to mitigate interest rate risks

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank.

(i) Financial instruments designated as fair value through profit and loss

The Group and the Bank use derivative hedge instruments, such as interest rate swaps to undertake economic hedges on part of their existing fixed rate loans to reduce the exposure on interest rate risk as part of its risk management strategy.

(ii) Fair value hedges

The Group and the Bank use interest rate swap as the hedge instruments to hedge the interest rate risk of fixed rate loans exposure. The interest rate swap contracts used for the hedging are contracted with other financial institutions.

(iii) Cash flow hedges

The Group and the Bank use interest rate swaps as hedge instruments to hedge the variability of future cash flows on fixed deposits.

Further information relating to the cash flow hedges are disclosed in Note 13(a) to the financial statements.

(iv) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2K to the financial statements.

5. EQUITY EXPOSURES IN BANKING BOOK

The Group's and the Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socio-economic reasons and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/financing conversion.

The Group's and the Bank's banking book's equity investments are classified and measured in accordance with MFRS 9 and are categorised as financial investments at fair value through other comprehensive income. Refer to Note 2D to the financial statements for the accounting policies of the Group and the Bank.

Details of the Group and Bank's financial investments at fair value through other comprehensive income are set out in Note 7 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 2019				
Financial investments at fair value through other comprehensive income				
Unquoted equity securities	**44,331**	**150%**	**44,331**	**150%**
30 June 2018				
Financial investments available-for-sale				
Unquoted equity securities	467,512	150%	467,512	150%

Realised gains arising from sales and liquidations of equity exposures are as follows:

	The Group and the Bank	
	30 June 2019 RM'000	30 June 2018 RM'000
Net gains arising from sales of equity securities	**25,042**	194,543

There are no unrealised gains/(losses) for equity securities that have not been reflected in the statements of income of the Group and the Bank but have been recognised under other comprehensive income of the Group and the Bank for the financial year ended 30 June 2019.

6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB")

The Group evaluates the impact of IRRBB/RORRBB via the earnings and the underlying economic value perspective.

The earnings perspective provides the impact via the reduction in earning arising from the changes in interest rate/rate of returns. Earnings perspective focuses on the short-term effect of IRRBB/RORRBB. The components affecting the earnings perspective include the timing of the repricing basis, yield curve risk and option positions.

The economic value perspective provides a long-term perspective for the impact of IRRBB/RORRBB. This perspective evaluates the changes in the Group's economic value via the present value of the Group's future cash flow. The future cash flow projections used to estimate the economic exposure provides a pro forma estimate of the future income generated by its current position. In general, the measurement of present value of instruments will be able to give an overview of the Group's economic value of equity ("EVE") over a longer time period.

The increase of decline in earning and economic value for upward and downward rate shocks are consistent with the rate shocks applied in the Group's stress test for IRRBB/RORRBB (which are as follows):

	Impact on positions 100 basis points parallel shift	
The Group	**Increase/(Decline) in Earnings RM'000**	**Increase/(Decline) in Economic Value RM'000**
30 June 2019		
100 bps upward		
Ringgit Malaysia	**45,291**	**(1,097,724)**
100 bps downward		
Ringgit Malaysia	**(117,315)**	**1,149,673**
30 June 2018		
100 bps upward		
Ringgit Malaysia	36,874	(929,003)
100 bps downward		
Ringgit Malaysia	(93,913)	979,646

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6. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK ("IRRBB"/"RORRBB") (CONTINUED)

The increase of decline in earning and economic value for upward and downward rate shocks are consistent with the rate shocks applied in the Group's stress test for IRRBB/RORRBB (which are as follows): (continued)

	Impact on positions 100 basis points parallel shift	
The Bank	**Increase/(Decline) in Earnings RM'000**	**Increase/(Decline) in Economic Value RM'000**
30 June 2019		
100 bps upward		
Ringgit Malaysia	**83,294**	**(760,816)**
100 bps downward		
Ringgit Malaysia	**(134,311)**	**795,071**
30 June 2018		
100 bps upward		
Ringgit Malaysia	62,067	(629,672)
100 bps downward		
Ringgit Malaysia	(97,059)	658,883

7. SHARIAH GOVERNANCE DISCLOSURE

In October 2010, BNM has issued Shariah Governance Framework ("SGF") to guide Islamic financial institutions to establish a comprehensive governance policy framework which sets out the strategic roles and functions of each organ of governance and mechanism in ensuring that the overall Islamic financial system operates in accordance with Shariah principles. The new Islamic Financial Services Act ("IFSA") 2013, which came into force on 30 June 2013, statutorily enforce the management of Shariah non-compliance risk and require Islamic financial institutions to ensure that their aim, operation, business, affairs and activities are Shariah-compliant at all time.

HLISB has developed its own Shariah Governance Board Policy to ensure the management of Shariah matters in the Bank is of the highest standard in line with SGF and IFSA.

The Bank's Shariah Governance Board Policy governs and guides HLISB on the on-going development and enhancement of its Shariah governance infrastructure. It forms the basic foundation upon which Shariah governance policies are to be developed, Shariah governance structure is to be operated in, and Shariah governance initiatives are to be carried out.

Other **Information**

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019

Total number of issued shares	: 2,167,718,284
Adjusted total number of issued shares (after deducting treasury shares pursuant to Section 127 of the Companies Act 2016)	: 2,086,616,584
Class of shares	: Ordinary shares
Voting rights	: 1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS AS AT 30 AUGUST 2019

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	360	3.46	7,502	0.00
100 – 1,000	2,288	21.98	1,367,748	0.07
1,001 – 10,000	6,086	58.48	20,532,145	0.98
10,001 – 100,000	1,282	12.32	40,055,274	1.92
100,001 – less than 5% of issued shares	389	3.74	429,101,913	20.56
5% and above of issued shares	2	0.02	1,595,552,002	76.47
	10,407	100.00	2,086,616,584	100.00

* *Excluding 81,101,700 shares bought back and retained by the Bank as treasury shares*

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2019

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Financial Group Berhad	1,340,137,681	64.23
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	255,414,321	12.24
3.	MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	40,109,054	1.92
4.	Kumpulan Wang Persaraan (Diperbadankan)	25,390,900	1.22
5.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	23,858,680	1.14
6.	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	16,644,600	0.80
7.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,294,300	0.68
8.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia	12,911,500	0.62
9.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	10,474,475	0.50
10.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	10,101,542	0.48

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019 (CONTINUED)

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2019 (CONTINUED)

	Name of Shareholders	No. of Shares	%
11.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	9,332,300	0.45
12.	Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government Of Singapore (C)	8,462,974	0.41
13.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	8,344,680	0.40
14.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	7,549,400	0.36
15.	HSBC Nominees (Asing) Sdn Bhd - JPMBL SA for Robeco Capital Growth Funds	7,124,700	0.34
16.	Cartaban Nominees (Asing) Sdn Bhd - BBH And Co Boston for WGI Emerging Markets Smaller Companies Fund, LLC	6,581,908	0.32
17.	HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
18.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 1)	6,130,500	0.29
19.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia 2 – Wawasan	6,000,000	0.29
20.	Pertubuhan Keselamatan Sosial	5,532,600	0.26
21.	HLB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
22.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd.	4,595,100	0.22
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	4,172,396	0.20
24.	DB (Malaysia) Nominee (Asing) Sdn Bhd - State Street London Fund U8T8 for Pinebridge Asia Ex Japan Small Cap Equity Fund (Pinebridge GL F)	4,084,000	0.20
25.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund SWV4 for California Public Employees Retirement System	3,897,670	0.19
26.	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,716,140	0.18
27.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for MSCI Equity Index Fund B - Malaysia	3,507,680	0.17
28.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	3,408,077	0.16
29.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	3,000,000	0.14
30.	Citigroup Nominees (Tempatan) Sdn Bhd- Valuecap Sdn Bhd	2,895,200	0.14
		1,859,668,241	**89.12**

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019 (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2019 are as follows:

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hong Leong Financial Group Berhad	1,340,137,681	64.23	3,057,504	0.15(a)
Hong Leong Company (Malaysia) Berhad	–	–	1,346,181,489	64.52(a)
HL Holdings Sdn Bhd	–	–	1,346,181,489	64.52(b)
Tan Sri Quek Leng Chan	–	–	1,346,237,169	64.52(c)
Hong Realty (Private) Limited	–	–	1,346,181,489	64.52(b)
Hong Leong Investment Holdings Pte Ltd	–	–	1,346,181,489	64.52(b)
Kwek Holdings Pte Ltd	–	–	1,346,181,489	64.52(b)
Kwek Leng Beng	–	–	1,346,181,489	64.52(b)
Davos Investment Holdings Private Limited	–	–	1,346,181,489	64.52(b)
Kwek Leng Kee	282,344	0.01	1,346,181,489	64.52(b)
GuoLine Overseas Limited	–	–	1,343,405,145	64.38(e)
Guoco Group Limited	–	–	1,343,405,145	64.38(e)
GuoLine Capital Assets Limited	-	-	1,346,181,489	64.52(e)
Employees Provident Fund Board	259,903,121	12.46	–	-

Notes:
(a) *Held through subsidiaries*
(b) *Held through Hong Leong Company (Malaysia) Berhad ("HLCM")*
(c) *Held through HLCM and a company in which the substantial shareholder has interest*
(d) *Held through Hong Leong Financial Group Berhad ("HLFG")*
(e) *Held through subsidiary(ies) and HLFG*

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2019

Subsequent to the financial year end, there is no change, as at 30 August 2019, 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 144 to 146 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016 except for the change set out below:

Indirect Interest	Number of Shares	%
YBhg Tan Sri Quek Leng Chan in:		
GL Limited	956,108,034	69.89

4. GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S INTEREST AS AT 30 AUGUST 2019

Direct Interest	Number of ordinary shares/shares issued or to be issued or acquired arising from the exercise of options*	%
Mr Domenic Fuda	845	#
	568,060**	N/A
	8,000,000*	N/A

\# *Negligible*
** *Free ordinary shares to be vested pursuant to the Executive Share Scheme of HLB*

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
1	No. 1, Light Street Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	85	7,430	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1 Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	20	2,049	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch premises	4,425	37	1,516	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	27	2,865	28/12/1992
5	Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	28	1,116	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,399	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	33	493	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	53	468	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	33	2,051	25/06/1992

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
11	No. 12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	28	3,475	25/06/1992
12	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	4,760	24	3,146	28/04/1997
13	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	23	959	28/04/1997
14	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	32	1,116	26/06/1997
15	Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	25	190	26/06/1997
16	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	22	958	26/06/1997
17	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	23	2,588	26/01/1995
18	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/7/2030)	Vacant	10,619	44	24	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	26	751	01/01/1994
20	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Vacant	14,277	41	1,811	24/11/1978

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
21	No. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Vacant	4,394	24	342	26/12/1995
22	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Vacant	11,720	40	947	01/10/1984
23	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	24	239	24/11/1995
24	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	22	595	15/06/1998
25	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	29	846	01/06/1994
26	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	37	316	29/11/1985
27	No. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Vacant	4,313	39	294	01/04/1980
28	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Vacant	4,978	39	394	31/07/1988
29	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	23	2,678	14/02/1996
30	No. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Vacant	12,854	26	338	22/10/1977
31	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	31	201	01/09/1988

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
32	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	51	31	30/06/1977
33	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	79	89	30/08/1982
34	W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	20	1,160	18/12/1999
35	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Vacant	12,173	20	2,207	18/12/1999
36	Plot No. 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	20	454	23/11/1999
37	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	19	1,481	23/11/1999
38	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	20	1,106	31/05/1991
39	No. 1 & 2 Jalan Raya, 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	18	348	20/09/2000
40	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	18	322	13/12/2000
41	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	23	4,695	14/10/1996

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
42	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (28/12/2881)	Branch premises	1,370	28	393	30/05/1991
43	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	14	2,539	25/11/2005
44	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	14	2,616	25/10/2005
45	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	13	3,523	07/06/2006
46	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	13	2,576	06/07/2006
47	No. 2 Jalan Puteri 2/4 Bandar Puteri Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	12	4,996	28/06/2007
48	Tower A PJ City Development 46100 Petaling Jaya Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	11	72,676	21/07/2008
49	OUG No. 2, Lorong 2/137C Off Jalan Kelang Lama 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch premises	17,300	9	4,760	01/04/2011
50	KEP Lot No. 77C & 77D Lot No.58529 Jalan Kepong 52100 Kuala Lumpur	Leasehold - 99 years (7/01/2101)	Branch premises	30,613	9	8,249	01/05/2011
51	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	Leasehold - 60 years (29/4/2045)	Branch premises	1,200	26	186	30/04/1985

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
52	No. 12A, Block B Level 2, Fraser's Hill Condominium 49000 Bukit Fraser's Pahang Darul Makmur	Leasehold - 99 years (23/05/2082)	1 unit apartment	1,792	32	108	24/5/1983
53	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	46	270	18/9/1972
54	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch premises	4,687	24	1,723	03/04/1997
55	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	3,080	56	2,112	19/8/1997
56	No. 1, Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	Freehold	Vacant	2,776	36	1,448	09/07/1998
57	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch premises	3,600	23	1,369	22/1/1999
58	No. 2, Jalan PJU 5/8 Dataran Sunway, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (23/11/2100)	Branch premises	12,892	15	3,313	12/02/2005
59	No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold - 99 years (07/06/2087)	2 units apartment	2,088	23	182	21/4/1994

Other Information

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
60	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Vacant	1,680	35	240	29/6/1981
61	No. 105 & 107, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years (20/3/2094)	Vacant	3,132	23	479	17/4/1998
62	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch premises	3,080	24	633	15/8/1999
63	No. 21 & 23, Jalan Indah 15/1 Bukit Indah, 81200 Johor Bahru Johor Darul Takzim	Freehold	Vacant	5,090	17	1,341	27/5/2002
64	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch premises	13,965	16	1,918	12/02/2003
65	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch premises	2,624	22	952	05/04/1999
66	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch premises	3,208	18	1,360	04/08/1999
67	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch premises	15,844	16	1,126	10/07/2003
68	Lot 171, Jalan Council 95000 Bandar Sri aman Sarawak	Leasehold - 60 years (20/06/2050)	Branch premises	1,740	23	133	21/6/1990

HLBB LIST OF PROPERTIES HELD AS AT 30 JUNE 2019 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
69	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	26	-	23/9/1992
70	No: 3/G14, 3/G15 & 3/G16 Block 3, Lorong Api-Api 2 Api-Api Centre 88000 Kota Kinabalu Sabah	Leasehold - 99 years (31/12/2086)	Branch premises	4,141	24	1,641	04/02/1997
71	No. 177, Limbok Hill 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	46	10	16/8/1972
72	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Vacant	5,804	26	-	25/05/1993
73	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch premises	9,600	22	17,477	01/06/2015
74	No. 9, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	7,060	37	2,609	01/06/2015
75	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch premises	16,652	17	13,717	23/06/2015
76	Lot 1, Block 35 Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch premises	13,880	47	4,829	17/08/2015
77	Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur	Freehold	Head Office/ Branch	668,331	4	578,427	03/07/2015

Local & Overseas **Branches**

As At 30 June 2019

KUALA LUMPUR

1 53 & 55, Jalan Sultan Ismail
50250 Kuala Lumpur

2 No. 50, Jalan Merlimau
Off Jalan Kenanga
55200 Kuala Lumpur

3 Ground & Mezzanine Floors
Wisma Sin Heap Lee
No. 346, Jalan Tun Razak
50400 Kuala Lumpur

4 Level 1, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur

5 Ground Floor, Menara Raja Laut
No. 288, Jalan Raja Laut
50350 Kuala Lumpur

6 No. 34, 36 and 38, Jalan Petaling
50000 Kuala Lumpur

7 E-1-2 Level 1 Blok E
Southgate Commercial Centre
No. 2 Jalan Dua
Off Jalan Chan Sow Lin
55200, Kuala Lumpur

8 No. 468-B2(A), Block B
Ground Floor
Rivercity 3rd Mile
Jalan Ipoh
51200 Kuala Lumpur

9 150, Jalan Tun Sambanthan
50470 Kuala Lumpur

10 114 and 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur

11 No. 180-0-7 and 180-0-8
Wisma Mahkota
Taman Maluri, Cheras
55100 Kuala Lumpur

12 Ground Floor, No. 111
Jalan Dwitasik 1
Bandar Sri Permaisuri
56100 Kuala Lumpur

13 No 15, 16 & 17, Jalan Midah Satu
Tmn Midah, Cheras
56000 Kuala Lumpur

14 No. 50, Jalan Manis 1
Taman Segar, Cheras
56100 Kuala Lumpur

15 Level 1, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur

16 26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur

17 Lot 2-21A & 2-21A1
Jalan Desa 1/1
Desa Aman Puri
52100 Kuala Lumpur

18 No. 77C & D, Lot 58529
Jalan Kepong
52100 Kuala Lumpur

19 166 & 168, Jalan 2/3A
Off KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur

20 No. 44 & 46
Block A Plaza Sinar
Jalan 8/38D
Tmn Sri Sinar, Segambut
51200 Kuala Lumpur

21 Ground & 1st Floor
No. 63 Jalan Medan Putra 1
Medan Putra Business Centre
Menjalara
52200 Kuala Lumpur

22 Ground Floor, No. 6 & 8
Block 5, Jalil Link
Jalan Jalil Jaya 6, Bukit Jalil
57000 Kuala Lumpur

23 Ground & 1st Floor
Unit 25-G & 25-1
Signature Office, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

24 37, Jalan Telawi 3
Bangsar Baru
59100 Kuala Lumpur

25 No. 2, Jalan 22A/70A
Desa Sri Hartamas
50480 Kuala Lumpur

26 Lot No. 70, Level G2
Publika Shopping Gallery
Solaris Dutamas
Jalan Dutamas 1
50480 Kuala Lumpur

27 No. 31 and 33, Jalan 1/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur

28 30-34 Jalan Awan Hijau OUG
Jalan Kelang Lama
58200 Kuala Lumpur

29 71 and 73
Jalan Radin Tengah Zone J 4
Bandar Baru Seri Petaling
57000 Kuala Lumpur

30 A54 Jalan Tuanku 4
Salak South Garden
Off Jalan Sg Besi
57100 Kuala Lumpur

31 No. 7 and 9, Jalan 2/109 F
Plaza Danau 2
Taman Danau Desa
Off Jalan Klang Lama
58100 Kuala Lumpur

32 No. 8 and 10, Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Kelang
53300 Kuala Lumpur

33 No. 266 and 267
Jalan Bandar 12, Taman Melawati
53100 Kuala Lumpur

34 No. 2, Jalan Rampai Niaga 1
Rampai Business Park
Taman Sri Rampai
53300 Kuala Lumpur

35 Ground & 1st Floor, No. 10-G-1
Jalan 14/48A, The Boulevard
Shopoffice Off Jalan Sentul
51000 Kuala Lumpur

36 **Islamic Branch**
No 28, Ground & First Floor
Jalan Setiawangsa 10/55A
Taman Setiawangsa
54200 Kuala Lumpur

Local & Overseas Branches

As At 30 June 2019

SELANGOR DARUL EHSAN

37 2-G, 2-1 & 2A-G
Jalan Cheras Maju
Pusat Perniagaan Cheras Maju
43200 Balakong Selangor

38 No. 24, Medan Taming 2
Taman Taming Jaya
43300 Balakong, Selangor

39 No. 1, Jalan Temenggung 21/9
Bandar Mahkota Cheras
43200 Cheras, Selangor

40 5, Jalan Sl 1/4, Bandar Sg Long
43000 Kajang, Selangor

41 No. 1 and 3, Jalan Seri Tanming 1F
Taman Seri Tanming, Batu 9
43200 Cheras, Selangor

42 Ground & First Floor
No. 8 Jalan Suarasa 8/5
Bandar Tun Hussein Onn
43200 Cheras, Selangor

43 Ground & 1st Floor
No. 19 Jalan Kijang
Taman Suntex, Batu 9
43200 Cheras, Selangor

44 No. 11 and 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang, Selangor

45 No. 7 and 9, Jalan Pasar Baru 2
Seksyen 3, Bandar Semenyih
43500 Semenyih, Selangor

46 Ground Floor, 36, Jalan Sulaiman
43000 Kajang, Selangor

47 No. 2, Jalan Bangi Avenue 1/8
Taman Bangi Avenue
43000 Kajang, Selangor

48 No. 1 & 3, Jalan Pju 1/43
Aman Suria
47301 Petaling Jaya, Selangor

49 No. 25-G, 27-G, 29-G and 29-1
Jalan SS21/60
47400 Damansara Utama
Petaling Jaya, Selangor

50 No. 18 and 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya, Selangor

51 No. 80 and 82
Jalan Othman 1/14
46000 Petaling Jaya, Selangor

52 GF, Tower A
PJ City Development
15A, Jalan 219, Sec 51A
46100 Petaling Jaya, Selangor

53 No. 9 & 11, Jalan 52/2
PJ New Town
46200 Petaling Jaya, Selangor

54 No. 22 & 24, Jalan 14/14
46100 Petaling Jaya, Selangor

55 No. 28 & 30, Jalan SS2/67
47300 Petaling Jaya, Selangor

56 2, Jalan PJU 5/8, Dataran Sunway
Kota Damansara
47810 Petaling Jaya, Selangor

57 Lot G-18 and G-19
Perdana The Place
Damansara Perdana
47820 Petaling Jaya

58 A-G-08, A-1-08, A-2-08
A-G-09, A-1-09, A-2-09
Glomac Square, Jalan SS6/54
Dataran Glomac
Pusat Bandar Kelana Jaya
47301 Petaling Jaya, Selangor

59 12 and 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya, Selangor

60 No. 68 Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang, Selangor

61 No. 119 and 121
Jalan Sultan Abdul Samad
42700 Banting, Selangor

62 26-32, Jalan Kapar
41400 Klang, Selangor

63 Wisma Meru
1 Lintang Pekan Baru
Off Jalan Meru
41050 Klang, Selangor

64 90, Persiaran Raja Muda Musa
42000 Pelabuhan Klang, Selangor

65 No. 1 and 3
Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang, Selangor

66 169, Jalan Teluk Pulai
41100 Klang Selangor

67 No. 36, Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang, Selangor

68 No. 174 and 174A
Jalan Besar
42800 Tanjung Sepat
Kuala Langat, Selangor

69 Ground Floor, No. 109 & 111
Jalan Mahogani 5, Bandar Botanic
41200 Klang, Selangor

70 Ground & First Floor, Lot 529
Jalan Besar Kapar, KU13
42200 Klang, Selangor

71 No. 15 and 16
Jalan Menteri Besar 2
New Sekinchan Business Centre
45400 Sekinchan, Selangor

72 No. 64 Jalan Stesen
45000 Kuala Selangor, Selangor

73 No. 64 Jalan BRP 1/2
Bukit Rahman Putra
47000 Sungai Buloh, Selangor

74 51 & 53, Jalan TSB 10A
Taman Industri Sg Buloh
47000 Sg Buloh, Selangor

75 19 Jalan 54, Desa Jaya
52100 Kepong Selangor

76 No. 23 and 24, Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor

77 59A, Jalan Welman
48000 Rawang, Selangor

Local & Overseas Branches

As At 30 June 2019

78 No. 2 Jalan Public
Kampung Baru
Sungai Buloh
40160 Shah Alam, Selangor

79 No. 39 and 41, Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves, Selangor

80 No. 5 & 7, Jalan Cempaka 1
Taman Cempaka, 48200 Serendah
Hulu Selangor, Selangor

81 No.G-16, 1-16, 2-16, G-17
1-17 & 2-17, Jalan Prima SG1
Taman Prima Sri Gombak
68100 Batu Caves, Selangor

82 Wisma Keringat 2
No. 17 Lorong Batu Caves 2
68100 Batu Caves, Selangor

83 No. 5 & 7 Jalan Besar Susur 1
43300 Seri Kembangan, Selangor

84 Ground Floor, No.4G & 6G
Jalan Equine 1B
Taman Equine Boulevard
43300 Seri Kembangan, Selangor

85 No. 21 Jalan BS10/6
Seksyen 10, Bukit Serdang
43300 Seri Kembangan, Selangor

86 3, Jalan Bandar Satu
Pusat Bandar Puchong
47100 Puchong, Selangor

87 No. 2 Jalan Puteri 2/4
Bandar Puteri
47100 Puchong, Selangor

88 2, Jalan Kinrara
Taman Kinrara, Jalan Puchong
47100 Selangor

89 No. 26 & 27, Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong, Selangor

90 No. E-01-07 and E-01-08
Jalan Puchong Prima 5/3
Puchong Prima
47100 Puchong, Selangor

91 No. 120 Jalan PUJ 3/2
Taman Puncak Jalil
Bandar Putra Permai
43300 Seri Kembangan, Selangor

92 Lot 43 & 45, Jalan USJ 10/1G
47620 UEP Subang Jaya, Selangor

93 W-1-0, W-2-0 and W-1-1
Subang Square Business Centre
Jalan SS15/4G
47500 Subang Jaya, Selangor

94 Ground Floor, Lot G01
Giant Hypermarket Putra Heights
Persiaran Putra Perdana
47560 Putra Heights, Selangor

95 No. 3-G, Jalan Anggerik Vanilla
N31/N, Kota Kemuning
40460 Shah Alam, Selangor.

96 3, Jalan Takal 15/21, Seksyen 15
40000 Shah Alam, Selangor

97 34, Jalan Perbahan Satu
Section 26/2A
40000 Shah Alam, Selangor

98 19, Jalan Setia Prima RU 13/R
Setia Alam
40170 Shah Alam, Selangor

99 1G-3G, Jalan Wawasan 2/10
Bandar Baru Ampang
68000 Ampang, Selangor

100 No. 91, Lorong Mamanda 1
Ampang Point
68000 Ampang, Selangor

101 No. 7 and 9
Jalan Bunga Tanjong 6A
Taman Putra
68000 Ampang, Selangor

102 Ground Floor No. 8
Jalan UP 1/5, Taman Ukay Perdana
68000 Ampang, Selangor

103 No. 1-GM, Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur

104 No. 1 & 3, Jalan Pandan 3/5
Pandan Jaya
55100 Kuala Lumpur

105 No. 23GM and 25GM
Jalan Pandan Indah 4/8
Pandan Indah
55100 Kuala Lumpur

106 **Islamic Branch**
Lot G13A (Ground Floor) D'pulze
Shopping Centre, P-01, D'pulze
Lingkaran Cyber Point Timur
Cyberjaya 12, Cyberjaya
63000 Selangor

PAHANG DARUL MAKMUR

107 No. 1 Bentong Heights
28700 Bentong, Pahang

108 21 Jalan Tun Razak
27600 Raub Pahang

109 No. 113, Jalan Inderapura 1
Bandar Inderapura
27000 Jerantut, Pahang

110 No. B278 & B280, Jalan Beserah
25300 Kuantan, Pahang

111 25, Jalan Tun Ismail
25000 Kuantan, Pahang

112 59 and 60, Jalan Temerloh
Locked Bag No. 9
28409 Mentakab, Pahang

113 F107 Jalan Kuantan
28000 Temerloh Pahang

114 No. 36 Main Road Tanah Rata
39000 Cameron Highlands Pahang

TERENGGANU DARUL IMAN

115 Lot 3594 and 3595
Jalan Baru Pak Sabah
23000 Dungun, Terengganu

116 No. 5686 & 5694-B
Jalan Kubang Kurus
24000 Kemaman, Terengganu

117 No. 1107-R, S & T, Jalan Pejabat
20200 Kuala Terengganu
Terengganu

118 **Islamic Branch**
No. 31, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu

Local & Overseas Branches

As At 30 June 2019

KELANTAN DARUL NAIM

119 PT 320 & 321, Seksyen 25
Jalan Sultan Yahya Petra
15200 Kota Bahru, Kelantan

120 **Islamic Branch**
No. 1121A & 1121B
Jalan Padang Garong, Seksyen 12
15000 Kota Bahru, Kelantan

FEDERAL TERRITORY LABUAN

121 64 Jalan Tun Mustapha
87007 Labuan

SABAH

122 Ground and 1st Floor
Lot No. 1 Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau, Sabah

123 No. 5 and 6 (Aras Bawah)
Lorong Lintas Plaza 1, Lintas Plaza
88300 Kota Kinabalu, Sabah

124 Lots 1, 2 and 3, Block 18, Mile 4
North Road, Bandar Indah
90722 Sandakan, Sabah

125 Ground Floor, Wisma Sandaraya
Humphrey Street
90000 Sandakan, Sabah

126 19 Jalan Haji Saman
P.O. Box 11989
88821 Kota Kinabalu, Sabah

127 Lot 38, Block E
Alamesra Plaza Permai
88400 Kota Kinabalu, Sabah

128 Lot 3-0-14 To 3-0-16, Block 3
Lorong Api-Api 2, Api-Api Centre
88000 Kota Kinabalu, Sabah

129 No. 8, Jalan Pantai
Locked Bag No. 124
88999 Kota Kinabalu, Sabah

130 Lot No 4, 5 & 6, Block C
Lorong KK Taipan 2
Inanam New Township
88450 Kota Kinabalu, Sabah

131 MDLD 4712, Lot 4
Jalan Kastam Lama
91100 Lahad Datu, Sabah

SARAWAK

132 Sub Lot 6, Lot 538
Jalan Lee Kai Teng, P.O. Box 34
95700 Betong, Sarawak

133 345-347
Central Park Commercial Centre
Jalan Tun Ahmad Zaidi Adruce
93200 Kuching.

134 Lot 122, 123 & 124
Jalan Song Thian Cheok
93100 Kuching, Sarawak

135 42, Jalan Pending
93450 Kuching, Sarawak

136 35 Jalan Khoo Hun Yeang
93000 Kuching

137 Lot 10901 & 10902
Jalan Tun Jugah
93350 Kuching.

138 No. 127-129, RH Plaza
Jalan Lapangan Terbang
93350 Kuching

139 No. 155C, Jalan Satok
93400 Kuching, Sarawak

140 Lot 171, Jalan Council
95000 Bdr Sri Aman, Sarawak

141 Lot 13 and 14, Olive Garden
7th Mile Bazaar, Jalan Pensrissen
93250 Kuching, Sarawak

142 175, Serian Bazaar
94700 Serian, Sarawak

143 Lot 124, Saratok Bazaar
P.O. Box 71
95407 Saratok, Sarawak

144 Lot 3073 and 3074
Jalan Abang Galau
97000 Bintulu, Sarawak

145 Lot 2499 & 2500
Ground & 1st Floor
Boulevard Commercial Centre
Jalan Miri-Pujut, KM 3
98000 Miri, Sarawak

146 Lot 1078-1079, Buangsiol Road
P.O. Box 69
98707 Limbang, Sarawak

147 No. 722, Jalan Masjid
P.O. Box 19
96400 Mukah, Sarawak

148 Ground & First Floor, Lot 715
Merbau Road
98000 Miri, Sarawak

149 8-10, Lorong Maju
P.O. Box 279
96508 Bintangor, Sarawak

150 18, Chew Geok Lin Street
P.O. BOX 1461
96000 Sibu, Sarawak

151 122, Jalan Yong Moo Chai
P.O. Box 15
96807 Kapit, Sarawak

152 No. 22 & 24, Suria Permata
Commercial Centre, Jalan Lanang
96000 Sibu, Sarawak

153 No. 133, 135 and 137
Jalan Kampung Nyabor
96000 Sibu, Sarawak

154 10, 12, 14, 16 & 18, Mission Road
P.O. Box 656
96007 Sibu, Sarawak

155 No. 18C & 20, Lorong Tun Razak 1
Jalan Masjid Lama
96100 Sarikei, Sarawak

Local & Overseas Branches

As At 30 June 2019

KEDAH DARUL AMAN

156 167 & 168
Susuran Sultan Abdul Hamid 11
Kompleks Perniagaan Sultan Abdul Hamid Fasa 2
05050, Alor Setar, Kedah

157 No. 212-212A, Jalan Gangsa
Seberang Jalan Putra
05150 Alor Setar, Kedah

158 18K & 18L, Jalan Raya
08300 Gurun, Kedah

159 No. 62 and 63, Jalan Bayu 1
09000 Kulim, Kedah Darul Aman

160 No. 93, Langkawi Mall
Jalan Kelibang
07000, Langkawi, Kedah

161 No. 1 and 2, Jalan Raya
09800 Serdang, Kedah Darul Aman

162 Ground and First Floor
No. 64 and 65 Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani, Kedah

163 No. 255, Jalan Legenda 10
Legenda Heights
08000 Sg Petani, Kedah

164 9A and 9B Jalan Kampong Baru
08000 Sungai Petani, Kedah.

165 Ground Floor, Lot 1520-2A
Pantai Halban
06000 Jitra, Kedah

PULAU PINANG

166 19 Jalan Bertam
13200 Kepala Batas
Seberang Prai, Pulau Pinang

167 15-G-1 (Bayan Point)
Medan Kampong Relau
11900 Pulau Pinang

168 No. 300, Jalan Jelutong
11600 Pulau Pinang

169 98-G-15 Prima Tanjong
Jalan Fettes 10470 Tanjong Tokong
Pulau Pinang

170 No. 1, Light Street, Georgetown
10200 Pulau Pinang

171 No. 405 Jalan Burmah
10350 Pulau Pinang

172 No. 723-G-G, 723-H-G
and 723-I-G Jalan Sungai Dua
11700 Pulau Pinang

173 Lot G17 & G18
Penang Times Square
Jalan Dato Keramat
10150 Pulau Pinang.

174 306-F, Jalan Dato Ismail Hashim
11900 Bayan Lepas, Pulau Pinang

175 No. 16A & 16B
Lebuhraya Thean Teik
Bandar Baru Ayer Itam
11500 Pulau Pinang

176 Ground Floor & 1st Floor
No. 82 Jalan Besar, Balik Pulau
11000 Pulau Pinang

177 No. 1, Lebuh Kurau 1
Taman Chai Leng
13700 Prai, Pulau Pinang.

178 No. 9 and 10, Jalan Todak 2
Pusat Bandar, Seberang Jaya
13700 Prai, Pulau Pinang

179 No. 26, 28 & 30, Lorong Murni 1
Taman Desa Murni, Sg. Dua
13800 Butterworth, Pulau Pinang

180 No. 3350 & 3351
Jalan Rozhan
Taman Industri Alma Jaya
14000 Bukit Mertajam
Pulau Pinang

181 No. 31, 33, 35
Jalan Usahaniaga 1
Taman Niagajaya
14000 Bukit Mertajam, Penang

182 No. 6963 and 6964
Jalan Ong Yi How
Kawasan Perindustrian Raja Uda
13400 Butterworth, Pulau Pinang

183 No. 1781 Jalan Nibong Tebal
Taman Panchor Indah
14300 Nibong Tebal
Pulau Pinang

184 No. 1, Jalan Besar
Taman Tempua
14000 Simpang Ampat
Pulau Pinang

185 1435 & 1436, Jalan Besar
14200 Sg Bakap
Seberang Prai Selatan
Pulau Pinang

186 No. 1823-G1
Jalan Perusahaan Auto City
North-South Highway Juru
Interchange, 13600 Prai
Pulau Pinang

187 Ground & First Floor
No. 1 Medan Limau Emas
Pusat Perniagaan Limau Emas
Off Jalan Song Ban Keng
14000 Bukit Mertajam
Pulau Pinang.

PERAK DARUL RIDZUAN

188 75 Jalan Sultan Idris Shah
30000 Ipoh, Perak.

189 No. 91 and 93
Jalan Dato Lau Pak Khuan
Ipoh Garden 31400 Ipoh
Perak

190 Lot A-G-2, A-1-2 and A-1-4, No. 1
Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh, Perak

191 579 and 579A Jalan Pasir Puteh
31650 Ipoh Perak

192 No. 396 & 398, Taman Saujana
34600 Kamunting, Perak

193 41, Jalan Taiping
34200 Parit Buntar, Perak

194 No. 53, 55 and 57, Jalan Stesyen
34000 Taiping, Perak

195 No. 254, Jalan Raja Dr Nazrin Shah
Gunung Rapat
31350 Ipoh, Perak

Local & Overseas Branches

As At 30 June 2019

196 Ground & First Floor
No. 362, Medan Bercham
Jalan Bercham
31400 Ipoh, Perak

197 86 & 88, Jalan Besar
32400 Ayer Tawar, Perak

198 N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor, Perak

199 27 Jalan Dewangsa
31000 Batu Gajah, Perak

200 133 and 135 Jalan Gopeng
31900 Kampar, Perak

201 No. PT 1167 & 1168
Jalan Chui Chak
36700 Langkap, Perak

202 No. 116 & 117, Jalan Besar
31450 Menglembu, Ipoh, Perak

203 No. 28, Medan Silibin
30100 Ipoh, Perak

204 No. 16 and 17, Taman Sitiawan
Maju, Jalan Lumut
32000 Sitiawan, Perak

205 No. 25 & 27, Jalan Bunga
Anggerik, Taman Bunga Raya
35900 Tanjong Malim, Perak

206 11 and 12
Kompleks Menara Condong
Jalan Bandar
36000 Teluk Intan, Perak

NEGERI SEMBILAN DARUL KHUSUS

207 100, Jalan Gurney
72100 Bahau, Negeri Sembilan

208 112 Jalan Yam Tuan Raden
72000 Kuala Pilah, Negeri Sembilan

209 Lot 3120 & 3121
Jalan Besar Lukut
71010 Port Dickson
Negeri Sembilan

210 Lot PT 5759 & 5730
Jalan TS 2/1D, Taman Semarak
71800 Nilai, Negeri Sembilan

211 No. 69, 70 and 71
Jalan Dato Bandar Tunggal
70000 Seremban, Negeri Sembilan

212 1278 Jalan Rasah
70300 Seremban, Negeri Sembilan

213 No. 145-G, 145-1 & 146-G
Block M Taipan Senawang
Jalan Taman Komersil Senawang 1
70450 Seremban, Negeri Sembilan

214 No. 7 & 8, Jalan S2 B15
Biz Avenue, Seremban 2
70300 Seremban, Negeri Sembilan

MELAKA

215 Lot 215 & 130, Jalan Besar
78300 Masjid Tanah, Melaka

216 345, Jalan Ong Kim Wee
75300 Melaka

217 No. 67 & 69, Jalan Merdeka
Taman Melaka Raya
75000 Melaka

218 150 and 152
Kompleks Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka

219 Lot BB-371A & B
Taman Melaka Baru
Batu Berendam
75350 Melaka

220 No. 1, 1-1 & 3
Jalan Malim Jaya 2/7A
Taman Malim Permai
75250 Melaka

221 No. 76 Jalan Inang 4
Taman Paya Rumput Utama
76300 Paya Rumput, Melaka

JOHOR DARUL TAKZIM

222 Ground Floor, Penggaram Complex
No. 1 Jalan Abdul Rahman
Off Jalan Rahmat
83000 Batu Pahat, Johor

223 120 and 122, Jalan Mersing
86000 Kluang, Johor

224 No. 70, Jalan Segamat
85300 Labis, Johor

225 No. 3 Pusat Dagangan Bakri
Jalan Bakri
84000 Muar Johor

226 No. 43A & 45
Jalan Genuang Kampung
Kampung Abdullah
85000 Segamat, Johor

227 No. LC531, Jalan Payamas
84900 Tangkak, Johor

228 108, 109 & 110 Main Road
83700 Yong Peng, Johor

229 No. 345A, Jalan Ismail
86800 Mersing, Johor

230 No. 6 and 7, Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai, Johor

231 No. 25 & 25A
Jalan Kenanga 29/1, Indahpura
81000 Kulai, Johor

232 Ground Floor, No. 121 & 123
Jalan Austin Heights 3
Taman Mount Austin
81100 Johor Bahru, Johor

233 No. 8-10, Jalan Nusaria 11/7
Taman Nusantara
81550 Gelang Patah, Johor

234 No. 24-25, Jalan Ahmad Ujan
Taman Kota Besar
81900 Kota Tinggi, Johor

235 No. 2 Jalan Jati Satu
Taman Nusa Bestari Jaya
81300 Skudai, Johor Bahru, Johor

236 1, 1A, 1B & 1C, Jalan Belimbing
81400 Senai, Johor

Local & Overseas Branches

As At 30 June 2019

237 6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai, Johor

238 Ground Floor, No. 1
Jalan Setia Tropika 1/15
Taman Setia Tropika
81200 Johor Bahru, Johor

239 1 & 3
Jalan Persiaran Tanjung Susur 1
Taman Bukit Alif, Tampoi
81200 Johor Bahru, Johor

240 No. 39 & 41
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai, Johor

241 No. 5 Jalan Camar 1/3
Taman Perling
81200 Johor Bahru, Johor

242 No. 30 & 31, Jalan Delima
Pusat Perdagangan Pontian
82000 Pontian, Johor

243 37 & 39, Jalan Johar 1
Taman Desa Cemerlang
81800 Ulu Tiram, Johor

244 12-16, Jalan Wong Ah Fook
80000 Johor Bahru, Johor

245 105-106, Jalan Besar
81750 Masai, Johor

246 30 & 31, Jalan Mawar 1
Taman Mawar
81700 Pasir Gudang, Johor

247 No. 173 & 175, Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru, Johor

248 No. 21, Jalan Permas 10/1
Bandar Baru Permas Jaya
81750 Masai, Johor

249 No. 20 & 21
Jalan Harimau Tarum, Taman Abad
80250 Johor Bahru, Johor

250 80 Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru Johor

251 No. 29 & 31, Jalan Molek 2/4
Taman Molek
81100 Johor Bahru, Johor

252 Ground Floor
Bangunan Persekutuan
Tiong Hua JB, No. 8, Jalan Keris
Taman Sri Tebrau
80050 Johor Bahru, Johor

PERLIS

253 No. 40 and 42, Jalan Bukit Lagi
01000 Kangar, Perlis

FEDERAL TERRITORY PUTRAJAYA

254 **Islamic Branch**
Lot T00-U01, No. 5
Jalan 16, Precint 16
62150 Putrajaya
Wilayah Persekutuan

BUREAU DE CHANGE

1 S2-3-L34
Terminal KLIA2
Jalan KLIA2
64000 KLIA
Selangor Darul Ehsan

2 No. 53 & 55 Jalan Sultan Ismail
50250 Kuala Lumpur

3 No. 25, Jalan Tun Ismail
25000 Kuantan, Pahang

4 Lot L2LS16B, Level 2
Departure Landside
(Public Concourse)
Penang International Airport
11900 Bayan Lepas
Pulau Pinang

SINGAPORE

1 **Main Office**
1 Wallich Street
#29-01 Guoco Tower
Singapore 078881

Banking Hall
7 Wallich Street
#B1-25 & B1-26
Tanjong Pagar Center
Singapore 078884

HONG KONG

1 Rm 1504 & 50/F
The Center
99 Queen's Road Central
Central, Hong Kong

VIETNAM

1 **Hong Leong Bank Vietnam Limited**
Ground Floor, Centec Tower
72-74 Nguyen Thi Minh Khai Street
District 3, Ho Chi Minh City

2 **Hong Leong Bank Vietnam Limited**
Pacific Place, GF, Unit 08-09
83B Ly Thuong Kiet Str
Tran Hung Dao Ward
Hoan Kiem District
Hanoi, Vietnam

3 **Hong Leong Bank Vietnam Limited**
Binh Duong Branch
Unit 102, 103 Canary Plaza
Binh Duong Boulevard
Thuan An District, Binh Duong
Vietnam

4 **Hong Leong Bank Vietnam Limited**
Transaction Office
302 An Duong Vuong Street
District 5, Ho Chi Minh City, Vietnam

Local & Overseas Branches

As At 30 June 2019

CAMBODIA

1 **Hong Leong Bank (Cambodia) PLC**
Head Office Branch:
No. 28, Samdech Pan Avenue
(St. 214), Sangkat Boeung Raing
Khan Daun Penh, Phnom Penh
Kingdom of Cambodia

2 **Hong Leong Bank (Cambodia) PLC**
Tuol Kork Branch:
No. 150 G & 150 M
Street 289 Sangkat Boeung Kak 1
Khan Toul Kork, Phnom Penh

3 **Hong Leong Bank (Cambodia) PLC**
Olympic Branch:
No. 345, 347, and 349, Street 274
Sangkat Veal Vong, Khan 7 Makara
Phnom Penh

4 **Hong Leong Bank (Cambodia) PLC**
Pet Lok Sang Branch:
No. 23, Street 271
Sangkat Toeuk Thla
Khan Sensok, Phnom Penh
Cambodia

5 **Hong Leong Bank (Cambodia) PLC**
Mao Tse Toung Branch:
No. 167CD
Mao Tse Toung Blvd (St. 245)
Sangkat Toul Svay Prey 1
Khan Chamkamorn, Phnom Penh

6 **Hong Leong Bank (Cambodia) PLC**
Boeung Snor Branch:
SL08 and SL09 of Polaris Shop
National Road N01
Boeung Chhouk Village
Sangkat Niroth, Khan Chbar Ampov
Phnom Penh, Cambodia

LABUAN OFFSHORE

1 **Hong Leong Bank Berhad**
Labuan International Branch
Level 6 (G), Main Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan F.T. Malaysia

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FORM OF PROXY

HongLeong Bank Berhad
(97141-X)

I/We____

NRIC/Passport/CompanyNo.__________________________

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-Eighth Annual General Meeting of the Bank to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 29 October 2019 at 10:00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

	RESOLUTIONS	**FOR**	**AGAINST**
1.	To declare a final single-tier dividend of 34 sen per share		
2.	To approve the payment of Directors' Fees and Directors' Other Benefits		
3.	To re-elect Ms Chong Chye Neo as Director		
4.	To re-elect Ms Lau Souk Huan as Director		
5.	To re-elect Mr Tan Kong Khoon as Director		
6.	To re-elect YBhg Datuk Dr Md Hamzah bin Md Kassim as Director		
7.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
8.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
9.	To approve the ordinary resolution on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM		
10.	To approve the special resolution on Proposed Adoption of New Constitution		

Dated this_________day of______________________2019

________________________________ Number of shares held

________________________________ Signature(s) of Member

Notes:-

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Bank.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Bank at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	*% of shareholdings to be represented*

10. *Pursuant to Paragraph 8.29 A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice will be put to vote by way of a poll.*

Fold this flap for sealing

Then fold here

AFFIX STAMP

The Company Secretary

HONG LEONG BANK BERHAD
(Company No. 97141-X)

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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Hong Leong Bank Berhad (97141-X)

Level 19, Menara Hong Leong
6, Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2081 8888
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