





# Vision

Highly digital & innovative  
ASEAN financial services company





# Contents

## CORPORATE

Hong Leong Bank Story	02
The Business	04
Awards & Accolades	06
Significant Milestones	08
Chairman's Statement	10
Group Managing Director/Chief Executive Officer's Review	16
Five Year Group Financial Highlights	26
Corporate Social Responsibility	28
Corporate Information	34
Notice of Annual General Meeting	36
Statement Accompanying Notice of Annual General Meeting	39
Board of Directors	40
Key Senior Management	46
Board Audit Committee Report	51
Board Risk Management Committee Report	54
Corporate Governance, Risk Management & Internal Control	56

## FINANCIALS

Directors' Report	72
Statements of Financial Position	85
Statements of Income	86
Statements of Comprehensive Income	87
Statements of Changes in Equity	88
Statements of Cash Flows	92
Notes to the Financial Statements	95
Statement by Directors	243
Statutory Declaration	243
Independent Auditors' Report	244
Basel II Pillar 3 Disclosures	246

## ADDITIONAL INFORMATION

Other Information	295
Branch Network	308
• Form of Proxy	



## HONG LEONG BANK STORY



Hong Leong Bank Berhad is a regional financial services company based in Malaysia, with presence in Singapore, Hong Kong, Vietnam, Cambodia and China. The Bank is technology-focused and emphasises the development of financial capabilities to serve its clients across the five geographies.

## HONG LEONG BANK STORY

Hong Leong Bank Berhad (“HLB” or “the Bank”) is listed on Bursa Malaysia 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 3rd January 1994, Hong Leong Group acquired MUI Bank Berhad through Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad) and renamed it Hong Leong Bank Berhad. The Bank was listed on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Berhad) on 17th 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 Hong Leong Bank as Malaysia’s fifth largest banking group; with over RM180 billion in assets as at 30 June 2016.

The Bank reaches out to its customers within the communities in which it operates through various channels. This includes a distribution network of approximately 300 branches locally; sales and business centres in Malaysia, Singapore, Hong Kong, Vietnam and Cambodia as well as a comprehensive range of complementary and electronic channels which include self-service terminals, the Hong Leong Call Centre, Hong Leong Online Banking and Hong Leong Mobile Banking.

HLB launched ‘Mach by Hong Leong Bank’ in 2012, a sub-brand that brings together “bricks and clicks” to offer a range of life starter products and services targeted to meet the needs of the Gen-Y community. The Bank has also stepped up its efforts on digitisation through continuous optimisation and integration of electronic and digital facilities and processes, to enhance the overall customer banking journey.

On the regional front, HLB became the first Malaysian bank in 2008 to enter the Chinese banking sector with a 20% strategic shareholding in Bank of Chengdu Co., Ltd. In December of the same year, HLB became the first Malaysian and Southeast Asian bank to be granted a license to incorporate and operate a 100% wholly-owned commercial bank in Vietnam. In 2013, Hong Leong Bank launched its 100% wholly-owned commercial bank in Cambodia and in November, set up a representative office in Nanjing.

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

## THE BUSINESS

Hong Leong Bank Berhad provides a comprehensive suite of personal financial services, business and corporate banking, trade finance, treasury, branch and transaction banking, wealth management, investment banking as well as Islamic financial services.



Hong Leong Bank Berhad (“HLB” or “the Bank”) today has one of the most extensive branch networks in the country which includes approximately 300 branches throughout Malaysia coupled with one branch each in Singapore and Hong Kong, four branches/outlets in Vietnam, five branches in Cambodia, a representative office in Nanjing, as well as over 1400 self-service terminals and a full-serviced call centre. The Bank offers wealth management services through our branches in Malaysia, Singapore and Hong Kong as well as our 16 priority banking centres located throughout Malaysia.

HLB constantly looks for ways to drive rapid and continuous improvements in the way we interact with the communities in which we serve. This is mainly achieved via both digital and conventional means. With the aim of striking a balance between its conventional brick and mortar footprints whilst remaining relevant in increasingly digital, tech and mobile savvy communities, the Bank is also at the forefront in terms of digital and mobile banking technology with first to the market products and services such as PEX, PEX+ and Hong Leong Connect via your Apple Watch which effectively puts banking services and activities at your convenience, any time of the day and in the palm of your hands.

Via these various channels offered, the Bank is firmly embedded in the communities in which it serves and is committed to understanding its customers’ needs, as well as to deliver products and services that will enable them to fulfil their financial aspirations.



## THE BUSINESS

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

#### Personal Financial Services

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

#### Business and Corporate Banking

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

#### Global Markets

Global Markets principal activities include assisting customers on 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

A wholly-owned subsidiary of the Bank, Hong Leong Islamic Bank focuses on Shariah-compliant commercial banking, Islamic wholesale and investment banking, transactional banking services, as well as Islamic wealth management.

### REGIONAL FOOTPRINT

In line with its growth strategy, Hong Leong Bank has been expanding its footprint in the Asian region.

#### Singapore Operations

HL Bank Singapore is a full banking license branch offering wealth management and treasury services. In 2014, HL Bank Singapore embarked on a transformational journey towards an integrated business model, expanding into health banking and consumer banking propositions.

#### Hong Kong Operations

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

#### Vietnam Operations

Hong Leong Bank Vietnam Limited ("HLBVN"), a subsidiary of the Bank, commenced operations in October 2009. HLBVN is a full-fledged commercial bank in Vietnam whose principal activities include provision of retail loans, deposit products, wealth management, and priority banking services to individuals. Whereas business banking solutions include working capital and term loans, deposit and liability management products and trade finance services as well as foreign exchange ("forex") and money market services. To date HLBVN has 3 branches/outlets in Ho Chi Minh City and one in Hanoi.

#### Cambodia Operations

In July 2013, Hong Leong Bank (Cambodia) PLC ("HLBCAM") commenced operations as a 100% wholly owned subsidiary providing comprehensive financial services covering consumer banking, business banking, global markets and transaction banking services. With five

full-fledged branches primarily 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

Via its 20% shareholding in Bank of Chengdu Co., Ltd ("Bank of Chengdu"), HLB is also the first Malaysian bank to make a strategic investment into China. Bank of Chengdu is a leading city commercial bank in Western and Central China based in Chengdu, the capital of Sichuan Province. With a network of over 170 branches and outlets, it carries out a full-fledged commercial banking business.

Another significant milestone was achieved in March 2010, when Sichuan Jincheng Consumer Finance Ltd, a joint venture company between HLB and the Bank of Chengdu, obtained regulatory approval to establish a consumer finance business in Chengdu.

In November 2013, Hong Leong Bank had set up a representative office in Nanjing which commenced operations in February the following year.



## AWARDS & ACCOLADES



**The Asset Triple A Awards 2015**  
*Category: Best E-Bank Malaysia*



**The Asian Banker Achievement Awards 2015**  
*Category: Best Retail Payment Project*



## AWARDS & ACCOLADES

**Cards & Electronic Payments International (CEPI) Asia Awards 2015**  
Category: Best Debit Card Offering



**Cards & Electronic Payments International (CEPI) Asia Awards 2015**  
Category: Best Credit/Debit Card Product - Asia Pacific



**Sahabat Negara SME Award 2015**  
Category: Recognition Award

## SIGNIFICANT MILESTONES

# Building on our heritage

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

**1905**

## EON BANK

Hong Leong Bank completed merger with EON Bank Group

**2011**

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

**2009**

**mach**  
by  HongLeong Bank

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

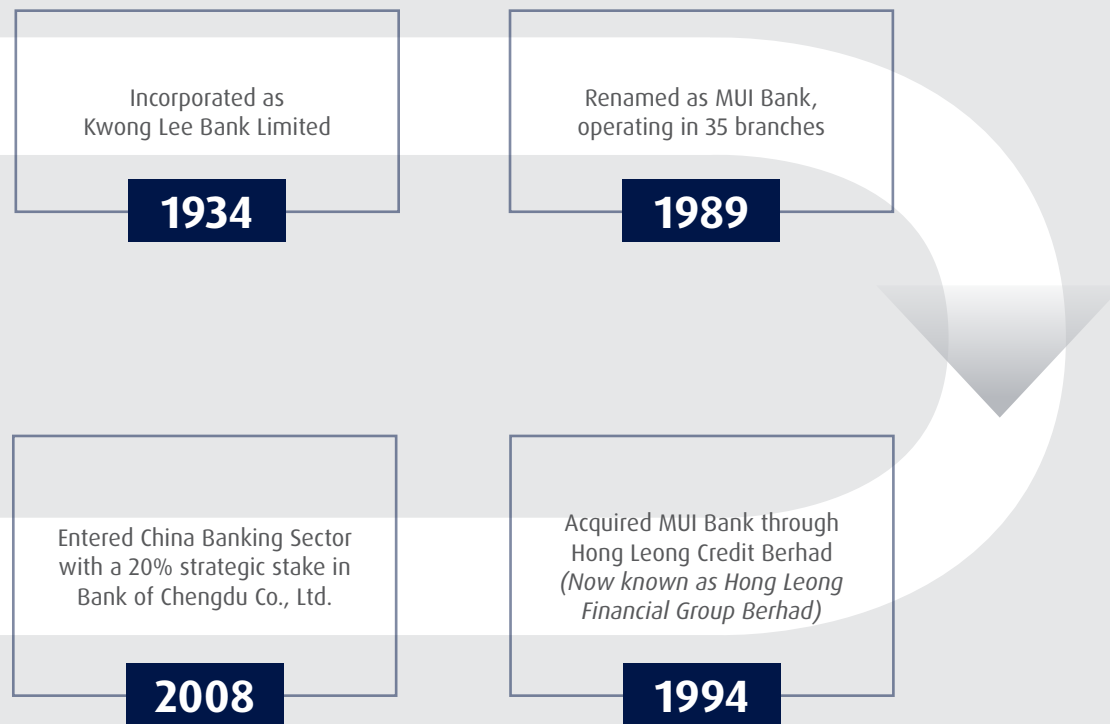
**2012**

• Hong Leong Bank Cambodia commenced its operations

• Set up of representative office in Nanjing, China

**2013**

## SIGNIFICANT MILESTONES



Towards redefining our future.



## CHAIRMAN'S STATEMENT

# Continuous quest for value creation

Dear Shareholders and Stakeholders,

The financial year ended 30 June 2016 ("FY2016") has been demanding as we confronted various economic challenges domestically and globally. Notwithstanding these challenges, Hong Leong Bank Berhad Group ("HLB" or "the Group") continues to persevere, although there was some impact to the Group's profitability. We delivered a respectable financial performance made possible by adherence to the Group's core principles alongside focused execution of our key strategic priorities.



## CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and Financial Statements of the Group for the financial year ended 30 June 2016.



### ECONOMIC ENVIRONMENT

During the financial year under review, the world economy continued a pattern of subdued economic expansion underscored by moderating growth in emerging economies and on-going concerns of economic recovery in the advanced economies.

This was against a backdrop of decelerating world trade, declining commodity prices, monetary policy normalisation by the US Federal Reserve and quantitative easing in other major economies. The lingering weakness in oil prices as a result of short-term and structural changes in global supply and demand conditions impacted the economies of major oil-producing nations including Malaysia. The convergence of these developments caused shifts in capital flows and amplified volatility in the international financial markets. In the near term these developments may

continue to unfold which may result in further uncertainties in the global environment.

Uncertainties in the global economy and financial markets as well as other domestic factors had affected the Malaysian financial markets and contributed towards weakness in the Ringgit. On the domestic front, private consumption slowed as households adjusted their spending to address the higher cost of living arising from the implementation of the Goods and Services Tax in April 2015, subsidy rationalisation and the depreciation of the Ringgit.

Despite these challenges and more guarded business sentiment, the Malaysian economy remained resilient and continued to deliver a modest growth of 4.1% for the first half of 2016 albeit at a moderated pace (2015: 5.0%; 2014: 6.0%). Given Malaysia's sound economic fundamentals with a well-diversified

portfolio of economic activities, the Group remains cautiously optimistic with regards to the growth prospects of the nation's economy going forward.

### CONTINUOUS QUEST FOR VALUE CREATION

Always heedful of our core principles, the Group is resolved in its commitment towards creating sustainable value for all our stakeholders. Towards this, strategic initiatives during this financial year were centred on the reinforcement of key business drivers, entrenching a customer service excellence mind-set in all that we do, maintaining a strong discipline around operating efficiency and productivity and accelerating the digitalisation of the business to offer best-in-class solutions; all of which are to enable us to compete more effectively in the evolving financial services landscape.

## CHAIRMAN'S STATEMENT

We acknowledge the accelerating significance of digital strategy as the key enabler for our future business.



### WE PERSEVERED

Given the global and domestic uncertainties it has been an arduous operating environment for banks and financial institutions in Malaysia and the region. Additionally, across the banking industry, margins remain under pressure, coupled with increasing regulatory requirements which also strained operating costs. In its on-going effort on strategic cost management, the Group initiated a one-off mutual separation scheme ("MSS") in December 2015 to improve operating efficiency. The MSS cost of RM172 million contributed towards a lower Group FY2016 net profit after tax ("PAT") of RM1,903 million, but more importantly allowed the Group

to optimise its productivity for future business growth. Excluding this one-off cost, the Group's underlying (or "BAU") PAT would have been RM2,034 million, underpinned by lower recoveries and lower contribution from our associates. Correspondingly the underlying return on equity eased to 10.7%, in part also due to the enlarged shareholders equity base following the completion of our Rights Issue during the year.

Despite these inherent challenges, business growth remained intact with gross loans and financing surpassing RM120 billion and registering a 6.3% year-on-year ("YoY") growth in line with the industry, whilst continuing to uphold our excellent asset quality and prudent credit



## CHAIRMAN'S STATEMENT



management. The Group also achieved a 5.9% YoY growth in customer deposits, reflecting our strong retail franchise and commitment towards a strong liquidity metric.

In December 2015, HLB successfully raised RM3 billion via a Rights Issue as part of our proactive capital management strategy to support business growth whilst ensuring that we are well-positioned to meet and comply with regulatory requirements under the Basel III capital framework. The Rights Issue was over-subscribed by 19%, reflecting our shareholders' strong confidence in the Group's future prospects.

Supported by the Group's solid fundamentals, our share price continued to withstand the subdued operating environment and market confidence. As of 30 June 2016, our share price closed at RM13.18, representing 1.8% appreciation over the 12-month period compared to a drop in the FBM KLCI of 3.1% over the same period.

Our key differentiator is our commitment toward digital banking, where we acknowledge the accelerating significance of a digital strategy as the key enabler for our future business. Our focus will continue on delivering products that complement our physical footprint thereby augmenting operations to address global competition, enhance market share and boost profitability.

### FOSTERING DEVELOPMENT IN ISLAMIC BANKING

Malaysia is a global leader in Islamic financial markets and Islamic finance continues to make its mark in the development of the Malaysian financial sector. Despite a challenging global back-drop, Islamic banking assets maintained their double-digit annual growth rate since the advent of the new millennium and now represents 40% of the nation's banking market. As of June 2016, Islamic banking gross financing expanded by 12.1% YoY, more than triple the growth of conventional financing at 3.3%.

Our Islamic banking arm - Hong Leong Islamic Bank Berhad ("HLISB"), established in 2005, plays a significant role towards supporting Islamic Banking and Finance growth in Malaysia. For the year, HLISB recorded a profit before tax of RM267 million, whilst gross Islamic financing base expanded by 15% YoY to RM18.6 billion. HLISB contributed 15% to the Group's total deposits and financing.

HLISB's provision of holistic solutions based on Shariah principles offer customers a comprehensive range of innovative products that include business and corporate banking, personal financial services, Islamic global markets and wealth management. Our contribution to the Islamic banking industry has received numerous accolades and global recognition through international financial publications for our role as an acknowledged industry player in the South-East Asia region - especially on our digital innovation initiatives and creative product offerings.

## CHAIRMAN'S STATEMENT



...the Group will pursue a balanced and diversified growth of both our domestic and regional businesses...

### REGIONAL PROGRESS

We remain committed towards supporting our regional operations and continue to emphasize the importance of its contribution towards the overall success of the Group. Our online banking platform has been successfully rolled out in all countries where we are present. Our customers are able to make cross border ATM withdrawals at any Hong Leong Bank branch across the region. During the year under review profit contribution from international operations remained steady at 14.0% of the Group's BAU pre-tax profit, a total of RM358 million.

Our strategic investment in China through Bank of Chengdu ("BOCD") remains a major contributor. Notwithstanding the China's sluggish economy and challenging operating environment, the profit contribution from BOCD remains commendable at RM312 million with improved performance in the second half of the financial year.

Our Singapore operation, through HL Bank Singapore ("HLBS") represents an important regional hub for the Group. Following the business transformation initiated 2 years ago, from a pure private banking proposition, HLBS had extended the services to consumer financing, and is now amongst the leading banks operating within the health banking and auto financing niche in the country with a significant market share. For the financial year ended 30 June 2016, HLBS achieved a strong 33% YoY loan growth to RM4.7 billion. In the coming year, HLBS will continue to build its digital competency to augment the growth of its core businesses.

Meanwhile, our Vietnam and Cambodia operations continued to capitalise on the countries' positive outlook and delivered robust business growth momentum albeit from a small base, whilst our Hong Kong branch kept its focus on global markets business and leveraged on BOCD to develop trade services.

# CHAIRMAN'S STATEMENT

## OUTLOOK & CONCLUSION

The global macro environment will continue to be challenging amid on-going structural reforms across economies and regions. This state of affairs is compounded by economic uncertainties, financial markets volatility and the potential implications arising from Britain's decision to leave the European Union which could have a larger long-term bearing on the global economy, financial markets and policy development.

On the domestic front, Malaysia's economic growth is likely to be moderate although we expect domestic consumption and investment to continue to be supportive and remain a mainstay of economic growth going forward.

While we remain mindful of the economic uncertainties that lay ahead, the Group will pursue a balanced and diversified growth of both our domestic and regional businesses. Emphasis will continue on accelerating the

digitisation of our businesses, improving operational efficiency and productivity through strategic cost management for sustainable growth whilst strengthening our digital offerings to satisfy customers and grow our customer base.

Given our strong business fundamentals, the Group is confident of its ability to navigate the challenges ahead and continue delivering long-term sustainable profitability and shareholder value.

Accordingly, the Board had proposed a final dividend of 26.0 sen per share, payable on 17 November 2016, subject to the approval of shareholders during the forthcoming Annual General Meeting on 26 October 2016. With this, the total dividends for the financial year ended 30 June 2016 would be 41.0 sen per share, translating into a pay-out ratio of approximately 44%, and dividend yield of 3.1%.

Before I conclude, I would like to take this opportunity to thank my fellow Board

members for their support and guidance as well as to our customers, business partners and shareholders for their loyal support and continued confidence in us. To our employees and the management team within the Group level, I would like to express my appreciation for their selfless commitment, dedication, professionalism and passion in the carrying out their duties to help us achieve our objectives. A special mention is reserved for Bank Negara Malaysia, the Ministry of Finance, government agencies and regulatory authorities to whom I tender my gratitude for their invaluable assistance, continual guidance and valued support.

**QUEK LENG CHAN**  
*Chairman*

15 September 2016





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

# A resilient underlying performance

Dear Shareholders, Customers and Business Partners,

FY2016 has been a year dominated by headlines of uncertainties in the commodity and financial markets as well as challenges within the Malaysian banking operating environment.



Despite these issues and an extremely competitive operating landscape, underlying business fundamentals for the Group remain solid with the achievement of several milestones both in our domestic as well as overseas businesses. Where we stand today, we see a much stronger and leaner organisation which is in a better position to deliver on sustainable long-term value to our shareholders. This was a culmination of progresses across a range of measures including a MSS exercise which we undertook to enhance the Bank's operational efficiencies as well as the completion of a RM3.0 billion rights issue during the year, strengthening our capital position to be amongst the top quartile in the industry, and more importantly strengthens the foundation for continuous business growth.

Despite the industry wide concerns on credit quality we retained our solid asset quality position - amongst the best in the industry, with Gross Impaired Loan ratio improving to a record low of 0.79% and achieved a new milestone with Gross Loans and Financing surpassing RM120 billion for the first time. The Group has also strengthened the wealth management business and introduced first-to-market propositions in digital offerings, enabling us to effectively compete in the evolving financial services landscape whilst sustaining a strong presence via our extensive network of branches and business centres in Malaysia and the South-East Asia region.

I would like to take this opportunity to share with you on our accomplishments for the financial year ended 30 June 2016 ("FY2016").

### RESILIENT OPERATING PERFORMANCE

Our operating performance remained sound. Against prior year (excluding

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



Underlying business fundamentals for the Group remain solid.

the one off gain from the sale of building) underlying total income for FY2016 expanded 3.9% year-on-year (“YoY”) to RM4,178 million, supported by a healthy loan expansion and a strong rebound of income from treasury operations.

Net interest income was lower at RM3,075 million on the back of elevated cost of deposits from intense market competition, particularly during the second half of the financial year. Notwithstanding that, net interest margin (“NIM”) for the year was sustained at 1.94% whilst seeing an encouraging 4 bps improvement q-o-q in Q4FY16, underpinned by effective loan pricing and funding costs management.

As we continued to focus on diversification of our income, the result has been notable. The non-interest income surged 25.0% YoY to RM1,103 million and lifted non-interest income ratio to 26.4% on the back of higher transactional fee income, improved investment income and foreign exchange gains.

Excluding the exceptional expenses from the MSS, BAU operating expenses was RM1,915 million, amidst higher personnel costs as well as increased costs arising from the GST implementation that

commenced in April 2015. Consequently, cost-to-income ratio was 45.8%, still amongst the best in the industry. The Group remains committed towards pursuing operating efficiencies and productivity gains whilst judiciously investing for future business growth.

Accordingly, the underlying net profit after tax was RM2,034 million for the FY2016 (excluding MSS charges) amidst lower impairment write-backs and lower contribution from our China associates. Return on equity and return on assets remained solid at 10.7% and 1.1% respectively, whilst net assets per share rose to RM10.32 from RM9.51 in the prior year.

### LOAN GROWTH MOMENTUM CONTINUES

Business momentum remained intact, with total loan and financing growth in line with the industry, at 6.3% YoY to RM120.6 billion whilst continued upholding our strong credit discipline.

The sturdy loan growth was spurred by strong retail banking performance, which outpaced the industry growth and contributing 69% of the Group’s

total loans portfolio. Our core segment of residential mortgages maintained its robust momentum and grew 13.7% YoY to RM51.5 billion. Transport vehicle loans was up 2.4% YoY to RM18.4 billion whilst personal loans continued its solid growth trajectory with a 9.6% YoY expansion. Loans and financing to SMEs – representing 15.9% of the loan base, continued to gain healthy traction, growing 8.2% YoY to RM19.2 billion.

### STRONG FUNDING AND LIQUIDITY POSITION

In this challenging environment, the Group placed an utmost importance to maintain a strong and liquid balance sheet, evinced by our loans-to-deposits ratio of 81.2%, which is the most prudent in the banking industry. Customer deposits expanded 5.9% YoY to RM148.5 billion amidst contraction in the banking industry, with a CASA ratio of 25.0%. Importantly, the Group’s individual deposits mix ratio of 54.8% is enviable, an industry high and attributed to our strong retail franchise, and continues to support the Group’s stable funding base.

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



### EXCELLENT ASSET QUALITY

The Group's key asset quality metrics continued to be amongst the best in the industry. Gross impaired loan ratio improved further to a record low of 0.79% whilst loan impairment coverage ratio stood at 120%.

The Group continues to adopt prudent credit management and proactive recovery actions in ensuring the excellent quality of our loan portfolio. With lingering concern on oil and commodity industries, our exposures remain immaterial, at less than 4% of total gross loans. That said, we continue to vigilantly monitor every credit relationship from these sectors for signs of weaknesses.

### SUPERIOR CAPITAL LEVELS

The Group undertakes proactive capital management to support on-going business growth and is well positioned to meet future regulatory capital requirements whilst striving to optimize capital efficiency. As at the end of FY2016, the Group's capital position remained robust, with Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital ratio at 12.7%, 13.1% and 14.7% respectively.

### HUMAN RESOURCE

The health of our franchise is strong and our people are our greatest asset and a key differentiator to our success. As we continue to invest in people development through leadership and technical competencies programmes, parallel emphasis is also placed on building of

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

employer branding to ensure that we continue to attract new talent and that our human capital development progresses in accordance with the needs of the markets we are serving.

Given the increased operational complexity, focus has been on giving our employees the support they need to build a career and achieve their career aspirations, creating better engagement with the Group's vision and goals, and in the process committing to reward them appropriately. We continue to develop our talent acquisition strategies with plans to identify, attract and hire sophisticated and experienced talent, create sourcing plans that include a talent pool and utilise social media to drive employer branding. We have been steadfast in our mission to improve employee experience, through the revision of our human resource management system and services, to remain relevant as well as competitive, and at the same time encouraging our employees to add value to the communities we serve and to themselves, by participating in organised Corporate Social Responsibility activities.

As testimony to the Group's Human Resource development efforts, we were named as the 'Best Companies to Work For in Asia 2015' (Malaysia chapter) by HR Asia - one of the region's leading HR publications.

### ROBUST REGIONAL FRANCHISE

The Group remains committed to our regional footprint and expect to continue to deepen our presence in the markets that we serve. Leveraging on our

existing strong Malaysian operations, the Group is keen to continue its pursuit of regional expansion, in markets and segments where we believe we can add value, whether via organic growth or acquisitions, as and when such opportunities arise. For the financial year under review, international operations continued to make a significant profit contribution to the Group, at RM358 mil representing 14% of the Group's BAU pre-tax profit ("PBT").

While outlook remains challenging for Bank of Chengdu ("BOCD") in light of the current headwind facing China, it remains cautiously optimistic of continued business growth albeit selectively pursuing business segments whilst tightening loan underwriting and credit policies. That said, BOCD remains a significant contributor towards the Group's BAU PBT making up 12% of the Group's profitability.

Since undertaking a transformation programme initiated 2 years ago, HL Bank Singapore ("HLBS") has showed remarkable progress towards achieving a robust 33% and 29% YoY loans and deposits expansion to RM4.7 billion and RM6.3 billion respectively, notwithstanding its one branch presence in Singapore. Marked progresses were also achieved across its three core businesses of Wealth Management, Health Banking and Auto Finance which saw its clientele base rise 266%. HLBS continues to serve as an important regional hub for the Group driving product expansion and cross-border capabilities with a focus on the Singapore and Malaysia markets, whilst continuing to build on its digital competencies to sustain future growth momentum.

We were named as the 'Best Companies to Work For in Asia 2015' (Malaysia chapter) by HR Asia - one of the region's leading HR publications.



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

Since it started operations in 2013, Hong Leong Bank (Cambodia) PLC ("HLBCAM") continued its impressive achievements with only five fully functional branches strategically located across central Phnom Penh business district. In FY2016, deposit growth outperformed loan growth with a remarkable 162% increase to RM449 million whilst loans accelerated 98% YoY to RM526 million.

At Hong Leong Bank Vietnam ("HLBVN"), upholding asset quality whilst maintaining growth momentum in a recovering economy remains its top priority. HLBVN continues to grow its business and acquire new customers by leveraging on the Group's digital banking offerings and technology which has the added benefit of widening HLBVN's reach beyond its four branch presence. HLBVN plans to selectively acquire new customers in targeted industry and business segments whilst capitalising on the current prevailing positive growth outlook of the Vietnamese economy.

Focus for our Hong Kong branch ("HLBHK") has primarily been on the treasury related business whilst leveraging on BOCD to develop its trade services. Streamlining of HLBHK's operations has provided a strong base for a repositioning of its strategy to align it with the Group's regional banking aspirations.

### STRATEGIC PRIORITIES

The Bank continued to build momentum with various initiatives aligned to our strategic priorities. We are pleased to highlight some of the accomplishments from our investments over the past year:-

#### 1. TOWARDS AGILITY AND ENTERPRISE 'BIG DATA'

In the process of realising that the customer experience journey is essential to the continuing growth of



the bank, a cornerstone of our digital strategy is to build our core into scalable processes and eliminating wasteful paper-work. Towards this, improvements have been made to enhance service up-times, where electronic channel services are now available to our customers 24 hours a day, seven days a week.

We are re-designing the management information systems to cater to the Bank's vision of digitisation being the core, at the same time extending our reach to wider boundaries, supporting a concerted move towards publishing and leveraging application program interface (API) technologies and continued migration of applications towards a cloud-based environment.

It is imperative to our business to listen to our customers as their

feedback is essential towards improving our service delivery. In order to facilitate this, we are proud to be the pioneer to initiate Cognitive Banking in Malaysia and we are doing this through a partnership with IBM Watson. Cognitive Banking enables a machine learning interface to contextualise and customise product offerings based on interactions with customers through natural language processing, data mining and text analytics.

As we progress on our journey in Big Data analytics, the Group has launched several initiatives to boost our capabilities. We have begun to leverage Big Data analytics by capturing customers' experience with our products and services utilising social media and analytics capabilities. This initiative provided

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



insights to enhance the Group's service as well as generate leads for effective cross-selling and acquisitions. Correspondingly, we have enabled IBM's BigInsights - a data mining repository that facilitates provision of marketing propensity insights. Concurrently, we have real-time event trigger capabilities that can be deployed over a range of touch-points to boost customer engagement through contextual offers and enhanced service levels.

### 2. ENHANCING CUSTOMER EXPERIENCE

We have built on and implemented new web-based applications to enhance customer experience. We have also introduced new ways for customers to interact with us such as Web Chat for live inquiries, secured

e-mail, intelligent FAQ for self-service and video chat for branch support. As well, continued efforts to improve turn-around time have resulted in more than 74% of all customers at branches being served within five minutes. Significant improvement was also noted at our Call Centres, with up to 84% of customers' calls being answered within 20 seconds. We are also closely monitoring the comments about us on social media using enhanced tools. As a result, we are able to respond in real time to both complaints and compliments to create better engagement with our customers.

Investments were made for the enhancement of cross-border technology and seamless branch networking. As a consequence,

cross-border cash withdrawal service at Hong Leong Bank ATM machines has now been enabled and the Bank's customers can now make withdrawals at any Hong Leong Bank branch across the region. This and our other efforts were recently acknowledged when we attained top spot for the Best ATM and Kiosk Project in the Technology Innovation Award category at the Asian Banker Achievement Awards 2016.

In recognition of the Bank's innovative initiatives, the Bank was awarded the 'Best E-Bank in Malaysia 2015' by the Asset Digital Enterprise for the development of the Hong Leong Connect on-line banking platform.

# GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

## REVIEW BY BUSINESS SEGMENTS

### PERSONAL FINANCIAL SERVICES ("PFS")

Retail loans and deposits grew 8% and 14%, respectively and asset quality continued to improve which is reflected by a further reduction of the gross impaired loans ratio, achieved on the back of disciplined lending and prudent risk management. PFS remained a major revenue contributor to the Group contributing 56% of the Group's revenue and 42% of its pre-tax profits. Key highlights for the year include:

- **Digital solutions**

In line with our strategic priority of being "Digital at the Core", PFS will continue to invest in digital solutions and technologies that will enable us to offer best-in-class technological platforms, digital solutions and e-payment capabilities.

Efforts were also undertaken to promote higher utilization and take up rates for our Online Banking services via the launch of various Connect e-platform products and services including electronic Fixed Deposit (e-FD) and Telegraphic Transfer (e-TT) services which had resulted in the user base reaching almost one million registered customers while our on-line solutions drew more than one million transactions per month.

Other first-to-market innovations includes our FPX on-line fixed deposit (FD) placements which enables customers to directly draw fund for new FD placements from other banks. We have also introduced new payment platforms for on-line shopping via the PEx+ Merchant Payment function which utilizes QR codes and comes with features such as free Instant Transfer and IBG fund transfers to promote e-payments.

We firmly believe that mobile and online digital solutions could be the next generation for the way we do banking and thus far the anecdotal evidence suggests just that. Our mobile banking users have more than doubled during the year, new registered Online Banking users grew 91% YoY which correspondingly resulted in a 32% increase in online banking usage through our Hong Leong Connect website. 52% of the Bank's total transactions today are performed digitally via the Hong Leong Connect and mobile banking.

Continuous enhancements were made to our product offerings via the Hong Leong Connect and mobile platform. These include online fixed deposits placements, savings account opening, Overseas Telegraphic Transfer (OTT) facility and to facilitate QR payment for on-line shopping via the PEx+ Merchant Payment. We are also the first bank in Malaysia to introduce authentication of financial

transactions via biometric validation on a mobile application and viewing and download of user statements via your Connect mobile application.

On the auto financing front, HLB has launched a mobile tablet solution that enables straight through new vehicle loan applications processed at select auto dealers' premises, thus stream-lining hire purchase loan application submissions.

- **Banking experience**

We continued to make our banking experience more relevant and convenient for our customers by introducing 'AM:PM Convenient Banking Centers' at 72 of our branches nationwide. These centres provide specific banking needs during extended sales and service hours to all customers such as straight-through processing of loan applications and corresponding approvals within five minutes for





# GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

eligible customers. This service applies to new application of Credit Cards, Personal Loan and Remittance services.

- **PFS Loans**

Mortgages remain our strongest line of business as it continues to register a strong 12% YoY lending growth which has allowed us to maintain our position of top three lenders in this segment despite a lacklustre property market in FY2016. We continue to build on our relationship with key developers and real estate agents by offering competitive packages whilst offering a wide range of products and services that caters to different customer needs.

We remain steadfast in our commitment to the auto financing business and it remains a key retail lending business for the Group. Going forward, the focus will be on leveraging on our close relationship with key dealers in the market, simplifying processes and improving turn-around time via our digital proposal.

In our persistent drive to deliver value and innovation through our suite of card products, we have in FY2016, revitalised our reward point system for our cards with the launch of our Sutera Platinum Reward Point (RP) card. This card offers un-parallel reward points of up to 6X RP for spend outside of Malaysia, 3X RP on all purchases in Malaysia during weekends and dining all year round. The Sutera Platinum RP augments our card offerings and is currently one of the top reward points in the industry which aptly rewards our customers for doing more business with us. The immediately aim for the year ahead is to reclaim our market

share, deepening relationship with our existing customers and re-establishing HLB as the credit card of choice.

- **PFS Deposits**

The Bank's domestic Individual deposits recorded impressive growth of 14.7% for the financial year ended 30 June 2016 amidst a contracting domestic deposit market. Importantly then, that this segment is given due emphasis with the prompt launch of specific value deposit propositions targeted at specific segments such as smaller scale SMEs, Grey Hair (aged 50 years and above) and Priority clients.

Initiatives have also being rolled out targeting new CASA accounts. New products such as BizOne account, a packaged solution with current account, merchant services, overdraft and on-line banking for small businesses were introduced. In addition, the Bank also launched a high yield savings account (HL Top Yield Savings) for our Priority Banking segment offering up to 1% per annum additional interest for customers coupled with investments in unit trusts. A new savings account named 'Harvest Savings' was subsequently introduced in the fourth quarter of FY2016 for the Grey Hair segment. This Harvest Savings Account - a first in the marketplace, offers a complimentary declaration of trust service to facilitate speedy distribution of deposits with the Bank to the nominated beneficiaries in the event of death of the depositor. Harvest Savings Account also offers higher interest rates up to 1.9% p.a., debit card cash back and complimentary personal accident insurance coverage.

- **Retail Wealth Management Services**

Our investment in building strategic platforms for the wealth management business is maintained through new products, an advisory platform and dual currency roll-over desk to help customers with their trading activities.

Total treasury and fund sales grew 57% YoY as new initiatives were rolled out to assist customers diversify their wealth as financial markets continued on a turbulent and volatile trend.

- **Priority Banking ("PB")**

PFS continued to enhance PB propositions and product offerings to PB customers. The PB customer base grew 6% YoY whilst total liquid assets grew 13% YoY. Emphasis is given toward building and strengthening the capabilities of the Relationship Managers through personalized service and financial advice to enhance the PB customer experience.

- **Retail Community Business ("RCB")**

The Bank's RCB targets micro and small SMEs via integrated banking solutions and leverages on the Group's extensive branch network to support community business sales and services. RCB offers a broad range of products ranging from secured, unsecured and merchant services that support our community of business partners. For the second consecutive year since its establishment, RCB continues to maintain a strong performance, growing its customer and deposit base by 49% and 29%, respectively.



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



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

For FY2016, the Group's BCB division contributed 23% and 29% respectively to the Group's revenue and profit. The segment's total income grew a modest 6% amidst a more moderate banking system loan growth and intensified margin compression in the industry with progress made into more resilient industries such as education and healthcare in view of the challenging economic environment in Malaysia.

BCB introduced a new business Internet banking platform in November 2015 - Hong Leong Biz Connect - which is an endorsement of the Group's continued commitment to investment in digital technology. This digital platform has enabled the Bank to elevate on-line payment and collection solutions for our

commercial customers and encourage the adoption of electronic transactions. Hong Leong Biz Connect is aimed at addressing the banking and transactional needs of our commercial customer base, thereby translating into better financial earnings as reflected by the growth in non-interest income by 122% to RM13.2mil whilst net interest income grew by 53% in FY2016 from those customers that used our electronic platform. Another additional offering is the upcoming new Cash Management System that will allow us to offer a wider range of cash management solutions to serve a larger spectrum of corporate and commercial customers.

Recognising that the businesses that we serve are the engines of the economy, efforts have been made to engage and understand the challenges and needs of our Commercial and SME clients and thus enabling us to support their business and

financial needs effectively. Our strategic objective is to establish ourselves as the preferred financial solution provider to the Commercial and SME segment.

BCB had also benefitted from strong alliances and collaborations with Hong Leong Investment Bank, Hong Leong Islamic Bank and Global Markets to offer a full suite of products and services to complement our corporate client's needs whilst ensuring that all transactional and multi-lateral trade business requirements are covered comprehensively.

In our bid to improve and maintain better credit risk management whilst enhancing client relationship via business advisory services, industry specialists were appointed to reinforce the Group's expertise in selected key economic sectors such as oil and gas, construction and real estate.

# GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

## ISLAMIC BANKING

Return on Equity (ROE) for HLIBS was 11.4%, while PBT increased 5% y-o-y corresponding to a 15.5% YoY loans growth. Positively, operating expenses rose 7% against an 11% increase in total income and this improvement led to 4% positive JAWS.

We believe that HLIBS is well poised to capitalise on greater growth going forward which will be premised on accelerating investments in technology and digital banking initiatives which would help differentiate HLIBS and deliver value to shareholders over the long term.

## GLOBAL MARKETS

Despite the challenging market environment in FY2016, the Global Markets business achieved resilient income growth with pre-tax profit increasing by 25% YoY. This was driven by improved performance in all three segments of Franchise Sales, Investments and Trading.

Initiatives undertaken during the year include a revamp of the Murex treasury systems to improve front to back workflow and increase straight through processing of basic products. The refreshed Murex treasury system will facilitate better service to our clients in the core product areas of Foreign Exchange, Fixed Income, Derivatives and Structured Products.

In recognition of our strong product offerings, service excellence and research capabilities, HLB's Global Markets was voted one of the Best Domestic FX Providers in Malaysia in the Asiamoney's FX Poll for 2015. We also topped the Asset Magazine 2016 Benchmark Research for our capabilities in Fixed Income with top three positions in Local Currency Bond Sales, Bond Research and Investment categories.

Global Markets will expand its Ringgit Foreign Exchange and Fixed Income platform to clients regionally in anticipation of continued growth in foreign investments into Malaysia.

## OUTLOOK

Moving forward, the global macro environment will likely remain challenging and its implications on global trade, growth prospects and economic recovery across numerous economies will likely continue to be tepid, and accommodative policies expected to persist going into 2017. We are cognizant of the fact that any continued slowdown in the world economy would inadvertently have an impact on the Malaysian economy. However, we expect domestic consumption and investment to remain the main growth pillars going forward albeit at a more moderate pace in the coming year, supported by fiscal measures as well as accommodative monetary policies.

With that in mind, Management will continue to be vigilant with the risks that we take, be judicious in our spending whilst undertaking strategic initiatives which would add long-term shareholders' value and at the same time seek opportunities to capitalise on and grow.

## ACKNOWLEDGEMENTS

I would like to convey my deep appreciation to our valued customers and clients for their loyalty, my gratitude to our supportive shareholders, the Board of Directors for their wisdom and guidance as well as Bank Negara Malaysia and the Ministry of Finance, related government agencies, and other regulatory authorities. Last but certainly not least, I laud my dedicated team and all Hong Leong Bank employees for their continued support and confidence in the Group.

## DOMENIC FUDA

*Group Managing Director/  
Chief Executive Officer*

15 September 2016



## FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

GROUP	FY12 RM'Million	FY13 RM'Million	FY14 RM'Million	FY15 RM'Million	FY16 RM'Million
Total Assets	158,167	163,586	170,351	184,020	<b>189,828</b>
Gross Loans	90,571	97,209	104,169	113,418	<b>120,605</b>
Customer Deposits	123,096	123,637	130,252	140,276	<b>148,524</b>
Shareholders' Fund	11,704	13,037	14,530	16,790	<b>21,117</b>
Profit Before Tax	2,236	2,393	2,613	2,746	<b>2,382<sup>^</sup></b>
Profit After Tax	1,744	1,856	2,102	2,233	<b>1,903<sup>^</sup></b>
Earnings per share (sen)	105	106	119	126	<b>100<sup>^</sup></b>
Net dividend per share (sen)	*28.5	*33.8	41.0	41.0	<b>41.0</b>
Dividend payout ratio (%)	30.3%	32.0%	34.4%	32.4%	<b>44.1%</b>

Note: \* Franked Dividend System. Net dividend per share figure represented dividend receivable by shareholders after 25% tax

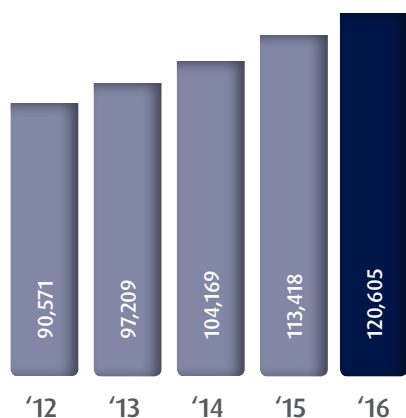
<sup>^</sup> PBT, PAT and EPS for the Group excluding one-off MSS costs of RM172 million would be RM2,554 million, RM2,034 million and 107 sen respectively

BANK	FY12 RM'Million	FY13 RM'Million	FY14 RM'Million	FY15 RM'Million	FY16 RM'Million
Total Assets	140,690	145,500	148,822	160,681	<b>162,238</b>
Gross Loans	78,023	83,308	89,225	96,691	<b>101,054</b>
Customer Deposits	108,940	109,169	114,099	122,337	<b>126,241</b>
Shareholders' Fund	10,403	11,340	12,330	13,428	<b>17,431</b>
Profit Before Tax	1,778	1,974	2,058	2,279	<b>2,025</b>
Profit After Tax	1,325	1,450	1,591	1,776	<b>1,605</b>

### Gross Loans, advances and financing

Growth momentum intact, in-line with industry

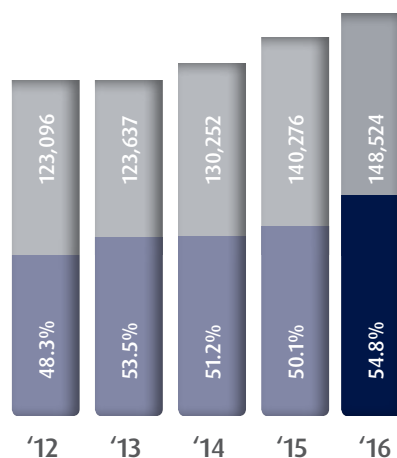
(RM'Million)



### Deposits from customers

Outpaced industry growth with strong retail franchise

■ Individuals Deposit Mix % ■ Total Deposits (RM'Million)

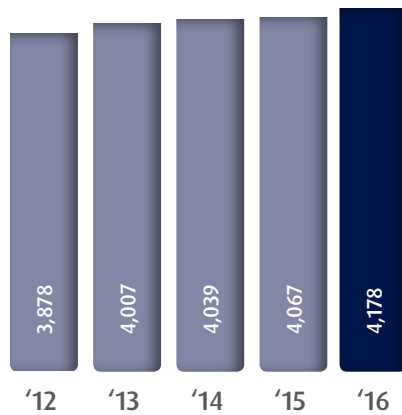


# FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

## Total income

Underlying revenue remained solid

(RM'Million)



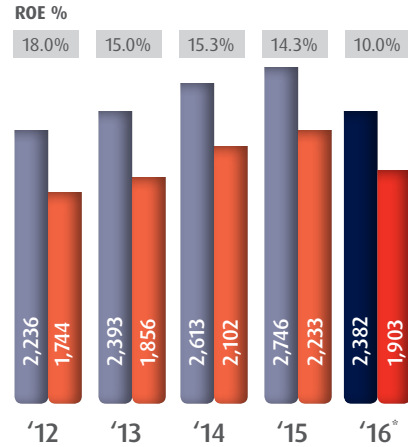
Y-o-Y:  
+2.7%

## Profitability

Resilient profitability and returns

■ PBT ■ PAT

(RM'Million)



Note\*: PBT and PAT excluding one-off MSS costs of RM172 million would be RM2,554 million and RM2,034 million respectively.  
ROE excluding one-off MSS costs of RM172 million would be 10.7%; Lower ROE from enlarged equity base post rights issue in December 2015

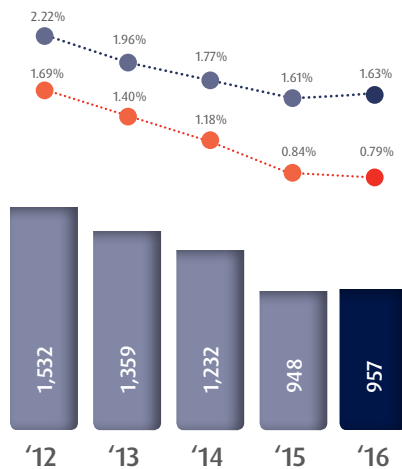
## Asset quality

Best in-class with record low GIL ratio

— Gross Impaired Loans (RM'Million)

● HLB GIL Ratio

● Industry GIL Ratio



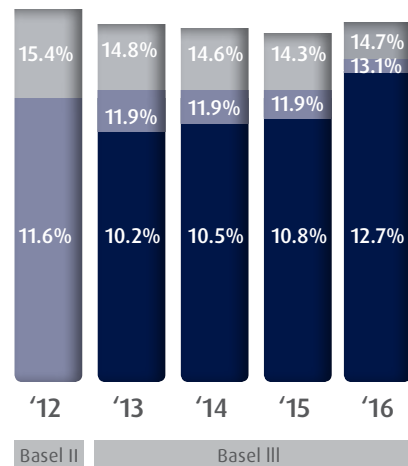
## Capital ratios

Robust capital positions, supportive of growth

■ Total Capital %

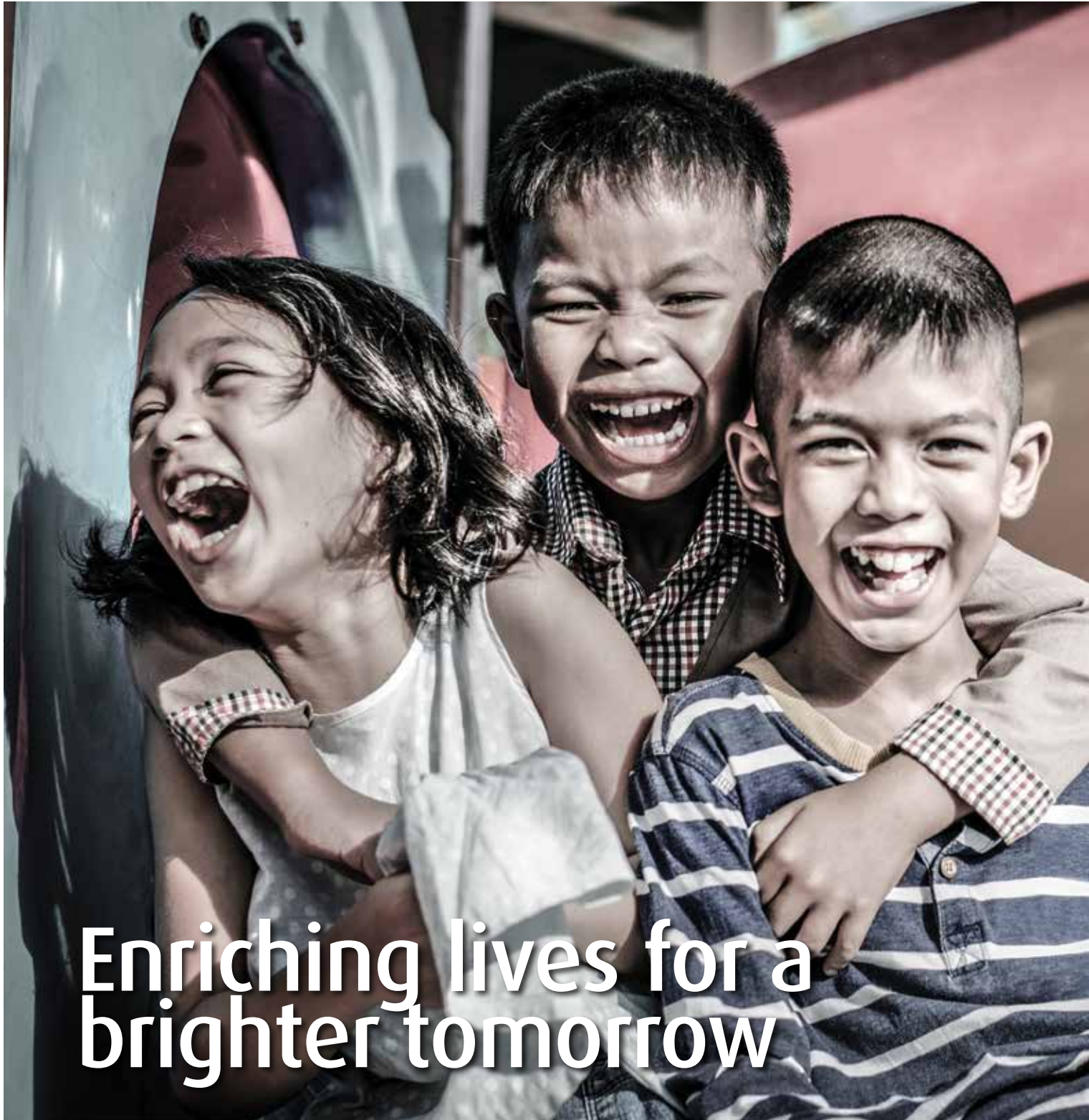
■ Tier 1 %

■ CET 1 %






## CORPORATE SOCIAL RESPONSIBILITY



## CORPORATE SOCIAL RESPONSIBILITY



“As a group, we are committed to empowering the local underserved communities around us by providing them with knowledge and tools to be independent and sustainable, as a catalyst for delivering long-term value to society.”

The Hong Leong Financial Group (“HLFG”) is one of Malaysia’s leading banking and financial services companies. Over the years, we have grown in size and strength through sound and focused business strategies, aided by strong management and financial disciplines against a backdrop of a growing economy.

We are also a group that prioritises the communities that we operate within and we believe that, whilst the bottom line is important, our role is to firstly cater to the business needs of these communities. Be it locally or across the geographies where the HLFG group of companies operate, from individuals, to small, medium enterprises (SMEs) to multinational (MNC) companies, HLFG is committed to ensuring that our group is guided by the core values of the Hong Leong Group (“the Group”) and remain cognisant of our social responsibility.

From personal banking, investment services, financial advice, business banking and insurance solutions, we have, over the past two decades made Corporate Social Responsibility (CSR) an increasingly large part of our identity. We have also taken the necessary steps to integrate sustainable practices into the core of the group’s businesses as we prepare to compete in an increasingly complex environment amidst more stringent regulatory requirements, increasingly sophisticated consumers and rapid technological advancements.

As we move towards our long-term goal of embedding sustainability within the Group, let us take a look at the year that has passed to see how we have fared in our CSR journey.



## CORPORATE SOCIAL RESPONSIBILITY



### WORKPLACE

As the group continues to grow and expand regionally, we believe it is vital to put in place a work environment where the rights and well-being of each employee is respected. This helps us attract good talent regardless of background.

To this end, cross-cultural understanding is key and that is why we have a diversity and inclusion philosophy that is upheld by our Best Work Environment practices. We ensure all applicable laws pertaining to non-discrimination and equal opportunity are complied with and upheld.

### ENVIRONMENT

Each year, the group continues to improve on initiatives to minimise its operational impact on the environment. We have been careful with the consumption of resources such as water and energy, as well as having been conscious of reducing waste generation and carbon emissions.

In line with the belief that sustainable change starts from within, we continue to build on the existing partnership between Hong Leong Foundation (“HLF”) and Science of Life Systems 247 Sdn Bhd (“SOLS Tech”) in the form of a group wide technology recycling programme called ‘Transform It’.

Through ‘Transform It’, employees are invited to donate old electronic devices as a convenient means to recycle their electronic waste responsibly. Since it began in April 2016, a total of 76 usable electronic items have been re-created out of recycled parts. These items are refurbished and then delivered to underserved communities in Peninsular Malaysia.

Nationwide, in Hong Leong Bank Berhad (“HLB”) branches, we look to reducing both paper usage and wastage where paper-based products continue to be recycled as part of our ongoing group recycling programme. We estimate that in the past year alone, we have had a savings of RM10,000 in just paper resource consumption.

# CORPORATE SOCIAL RESPONSIBILITY

## MARKETPLACE

For many years now, the group has had in place internally generated best practices to ensure the economic sustainability of all its companies, such as:

- Financial Management Disciplines which drive excellence in financial management so that the quality of the business as an ongoing concern is both preserved, enhanced and sustained.
- Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are clearly set out to guide management.
- A code of business conduct and ethics of financial reports, which contains disclosures that are true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, with shareholder orientation and a genuine interest in the respective businesses of the respective companies. The Group also advocates gender equality at work.

## COMMUNITY

Concerted efforts that channel direct help to our communities to address their needs are mostly done through HLF, the philanthropic arm of the Hong Leong Group.

Incorporated in 1992, HLF is driven by issues that are close to the heart of the Group.

HLF expended a total of RM6,834,370 for the financial year ended 30 June 2016 and has the following in place with our Community Partners:

- I) Community Welfare Programme that addresses the needs of homes, shelters and community centres.
- II) Education focused initiatives that comprise the following
  - Tertiary Scholarships
  - Reach Out and Rise Education Development Programme
  - The Hong Leong Masters Scholarship Programme
  - After School Care Programme
- III) Community Partner Programmes that further the goal of achieving HLF's mission and vision including
  - Employment Development Programme to find good jobs for members of the community
  - Welfare Home Transformation Programme to provide better homes for those in need
  - Hong Leong Foundation NGO Accelerator Programme to provide a platform that eases the process of establishing an NGO for different causes

HLF's contributions have benefitted 86 organisations, and brought positive impact directly to 3,430 individuals nationwide.

HLF's contributions have benefitted 86 organisations, and brought positive impact directly to 3,430 individuals nationwide.





# CORPORATE SOCIAL RESPONSIBILITY

## Education remains key

The Group sees grassroot initiatives and education as the road to empowering local underserved communities and the key to effecting real change. Recognising that there are gaps of opportunity along the entire spectrum of educational development, HLF has set up a comprehensive programme to empower their scholars, namely in the following forms: enrichment workshops, internships, mentorships, and other support to help the young excel in their formative university years, and beyond.

Since 1997, HLF has awarded more than RM28.9 million in scholarships to 909 scholars via its scholarship programmes for diplomas, degrees or masters. During the past financial year, HLF disbursed RM2.5 million in scholarships to benefit 112 underprivileged Malaysian youths.

Apart from these programmes, the Group also provides opportunities for its employees to participate in activities and causes that they are passionate about, whilst channeling aid to various segments of the community.

Along the year, various philanthropic endeavours, big and small, came to life through the concerted efforts of staff from diverse backgrounds across the group; who wanted to come together for a good cause.

## Children remain a significant focus for us

In demonstrating our focus on children, HLF embarked on an interactive community project involving 30 employee-volunteers from the Group that resulted in a total contribution of RM25,000. The aim of the project was to create a positive environment to cultivate a sense of creativity and imagination among kids from underprivileged homes. At the event, a total of 50 children from five different homes were given the opportunity to ink their thumbprints into original pieces of artwork, as well as to participate in mini workshops encouraging dancing and storytelling.

...the Group also provides opportunities for its employees to participate in activities and causes that they are passionate about, whilst channeling aid to various segments of the community.



## CORPORATE SOCIAL RESPONSIBILITY



To encourage the love of reading among the young, the HLB Credit Cards tie-up with The Big Bad Wolf Sale saw children paired with our volunteers for a book-shopping trip at Malaysia's largest and most popular annual book sale. For this, 330 underprivileged children from various homes around Klang Valley each received RM150 cash vouchers to purchase books of their choice. On top of that, a total of RM55,321 was collected from HLB employees through internal collections, pledges, and donations.

### Staying vigilant against forces larger than ourselves

Flood victims from the massive 2014 floods that hit the East Coast region of Malaysia continue to be part of the bank's community welfare focus. To help rebuild their lives, the Bank continued with its post flood rehabilitation initiatives.

We took proactive steps to ensure that aid could be collected and dispatched in a timely and managed manner, should a flood emergency be announced in any of the Malaysian states.



With valuable input provided by seasoned volunteers who are continuously and actively involved in flood and other relief activities throughout the country, staff across various companies within the Group were guided on packing a useful mix of essential items with a reasonable shelf life into boxes that can easily be transported for distribution using land, air, or watercraft. Drop-off points and packing tips were formalised and communicated to facilitate contributors should the need arise.

### Giving animals a better life

Committed to the Group's approach to social responsibility and betterment of society, animal rights have not been forgotten. The Group embarked on a collaboration with 'Trap Neuter Release Manage Malaysia' (TNRM) on an initiative that benefitted both the underprivileged community and animals alike.

TNRM is an NGO that traps stray cats and dogs, neuters them, and later rehomes them with the objective to effectively and humanely manage the stray populations in Malaysia.

A crossfit challenge dubbed STRAYFIT (Stay Fit for Strays) saw a total of 67 participants from across the Hong Leong Group divided and raised a total of RM14,137 for TNRM's cause. It was an event that brought together elements of compassion, fund-raising, teamwork, fitness and fun.

The crossfit challenge also raised a total of RM35,945 that benefitted 15 NGOs namely PERTIWI, Pusat Jagaan Rumah Kesayangan, Pusat Jagaan Qamara, Majlis Kebajikan dan Pembangunan Masyarakat Selangor, Pertubuhan Jagaan Kanak-Kanak Cacat Setia, Lighthouse Children Welfare, Pusat Kasih Sayang YMCA, Furry Friends Farm, Paws Animal Welfare Society, Fugee School, Rumah Siraman Kasih, Pertubuhan Kebajikan Ephratha Rawang Selangor, National Cancer Society of Malaysia, and Home of Peace and Association for the Mentally Handicapped.

# 67

participants from Hong Leong Group

# RM35,945

raised from the crossfit challenge

Donated across

# 15 NGOs

### LOOKING FORWARD

We will build upon and learn from our past CSR contributions and activities. This would naturally lead to higher expectations of ourselves as responsible corporate citizens, while we continue to explore new ideas and new ways of increasing actual and tangible improvements to our communities.

## CORPORATE INFORMATION

### DIRECTORS

YBhg Tan Sri Quek Leng Chan  
(Chairman)

Mr Domenic Fuda  
(Group Managing Director/  
Chief Executive Officer)

Mr Tan Kong Khoon

Mr Kwek Leng Hai

Ms Lim Lean See

Ms Chok Kwee Bee

YBhg Dato' Nicholas John Lough  
@ Sharif Lough bin Abdullah

YBhg Datuk Wira Azhar  
bin Abdul Hamid

YBhg Datuk Dr Md Hamzah  
bin Md Kassim

### GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi  
MAICSA 7005095

### AUDITORS

Messrs  
PricewaterhouseCoopers  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Tel : 03-2173 1188  
Fax : 03-2173 1288

### REGISTRAR

Hong Leong Share Registration  
Services Sdn Bhd  
Level 5, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-2164 1818  
Fax : 03-2164 3703

### REGISTERED OFFICE

Level 8, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-2164 8228  
Fax : 03-2164 2503

### WEBSITE

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



## CORPORATE INFORMATION





## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Seventy-Fifth Annual General Meeting of Hong Leong Bank Berhad (“Bank”) will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 26 October 2016 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 2016.
2. To declare a final single-tier dividend of 26 sen per share for the financial year ended 30 June 2016 to be paid on 17 November 2016 to members registered in the Record of Depositors on 2 November 2016. **(Resolution 1)**
3. To approve the payment of Director Fees of RM595,737 for the financial year ended 30 June 2016 (2015: RM544,384), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 2)**
4. To pass the following motions as ordinary resolutions:
  - (a) **“THAT** Mr Domenic Fuda who retires pursuant to Article 92 of the Bank’s Articles of Association, be and is hereby re-elected a Director of the Bank.” **(Resolution 3)**
  - (b) **“THAT** YBhg Datuk Dr Md Hamzah bin Md Kassim who retires pursuant to Article 92 of the Bank’s Articles of Association, be and is hereby re-elected a Director of the Bank.” **(Resolution 4)**
  - (c) **“THAT** Mr Tan Kong Khoo who retires by rotation pursuant to Article 113 of the Bank’s Articles of Association, be and is hereby re-elected a Director of the Bank.” **(Resolution 5)**
  - (d) **“THAT** Ms Lim Lean See who retires by rotation pursuant to Article 113 of the Bank’s Articles of Association, be and is hereby re-elected a Director of the Bank.” **(Resolution 6)**
  - (e) **“THAT** YBhg Tan Sri Quek Leng Chan who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Bank to hold office until the conclusion of the next Annual General Meeting.” **(Resolution 7)**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration. **(Resolution 8)**

### SPECIAL BUSINESS

As special business, to pass the following motions as ordinary resolutions:

#### 6. Ordinary Resolution

##### Authority to Directors to Issue Shares

**“THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Bank, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank.”

**(Resolution 9)**

## NOTICE OF ANNUAL GENERAL MEETING

### 7. Ordinary Resolution

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

"**THAT** approval be and is hereby given for the Bank and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3 (A) and (B) of the Bank's Circular to Shareholders dated 4 October 2016 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public and are not, in the Bank's opinion, detrimental to the minority shareholders;

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

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Bank at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Bank after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

**AND THAT** the Directors of the Bank be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 10)**

### 8. Ordinary Resolution

#### **Proposed Allocation of Options and/or Grants to Mr Domenic Fuda**

"**THAT** authority be and is hereby given to the Directors of the Bank, from time to time, to offer to Mr Domenic Fuda, the Group Managing Director/Chief Executive Officer of the Bank, options to subscribe for/purchase such number of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Bank ("Shares") and/or grant comprising such number of Shares under the Executive Share Scheme of the Bank ("ESS") as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate, the "Maximum Aggregate" being defined in the bye-laws of the ESS ("Bye-Laws") as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws." **(Resolution 11)**

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

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

- (a) shares transferred into the depositor's securities account before 4:00 p.m. on 2 November 2016 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.

# NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

**CHRISTINE MOH SUAT MOI** (MAICSA 7005095)  
*Group Company Secretary*

Kuala Lumpur  
4 October 2016

## 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 20 October 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Bank and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the 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 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
5. Pursuant to Paragraph 8.29 A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by way of a poll.

## EXPLANATORY NOTES

### 1. Resolution 9 on Authority to Directors to Issue 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 provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Bank for the time being ("Renewed General Mandate"). The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Bank.

As at the date of this Notice, 287,809,184 new ordinary shares of RM1.00 each in the Bank were issued by way of renounceable rights issue ("Rights Issue") pursuant to the Specific Mandates granted to the Directors at the last AGM held on 27 October 2015. The proceeds of approximately RM2,993.2 million raised from the Rights Issue have been utilised for working capital and general banking purposes as well as defraying expenses incidental to the Rights Issue. No new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the last AGM held on 27 October 2015 and which will lapse at the conclusion of the Seventy-Fifth 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 issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES (CONTINUED)

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

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

Detailed information on the Proposed Renewal of and New Shareholders’ Mandate is set out in the Circular to Shareholders dated 4 October 2016 which is dispatched together with the Bank’s 2016 Annual Report.

### 3. Resolution 11 on Proposed Allocation of Options and/or Grants to Mr Domenic Fuda (“Proposed Allocation”)

The proposed Ordinary Resolution, if passed, will allow the Directors of the Bank to offer to Mr Domenic Fuda, who was appointed as Group Managing Director/Chief Executive Officer of the Bank on 5 February 2016, options to subscribe for/purchase such number of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Bank (“Shares”) and/or grants comprising such number of Shares under the Executive Share Scheme of the Bank (“ESS”), as part of the Bank’s efforts to retain, motivate and reward him with an equity stake in the success of the HLB Group, provided that not more than 10% of the Maximum Aggregate, the Maximum Aggregate being defined in the bye-laws of the ESS (“Bye-Laws”) as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank over the period of the ESS.

The ESS, comprising an executive share option scheme (“ESOS”) and an executive share grant scheme (“ESGS”) which was implemented on 12 March 2013 and 28 February 2014 respectively, is governed by the Bye-Laws and will expire on 11 March 2023.

The option price to subscribe for/purchase such number of Shares under the ESOS to be determined shall not be more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the Shares preceding the offer date and shall in no event be less than the par value of the Shares. Shares offered under the ESGS will not require any consideration to be payable.

Mr Domenic Fuda is deemed interested in the Proposed Allocation. Accordingly, he will abstain from voting, in respect of his direct and/or indirect shareholdings in the Bank, if any, on the proposed ordinary resolution in relation to the Proposed Allocation at the Seventy-Fifth Annual General Meeting of the Bank. Mr Domenic Fuda will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Bank, if any, on the proposed ordinary resolution in relation to the Proposed Allocation. Save as disclosed, none of the Directors and major shareholders of the Bank and/or persons connected with them, has any interest, direct or indirect, in the Proposed Allocation.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

Details of the general mandate to issue securities in the Bank pursuant to Section 132D of the Companies Act, 1965 are set out in Explanatory Note 1 of the Notice of Seventy-Fifth Annual General Meeting.



## BOARD OF DIRECTORS

# Leading with vision and integrity



## BOARD OF DIRECTORS

### YBHG TAN SRI QUEK LENG CHAN

Chairman/Non-Executive/Non-Independent  
Age 73, Male, Malaysian

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

YBhg Tan Sri Quek is the Chairman of Hong Leong Bank Berhad ("HLB") and was appointed to the Board of Directors of HLB on 3 January 1994. He is the Chairman of the Board Credit Supervisory Committee ("BCSC") and a member of the Executive Committee ("EC"), Remuneration Committee ("RC") and Nominating Committee ("NC") 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"), Hong Leong Capital Berhad ("HLCB") and GuocoLand (Malaysia) Berhad, companies 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 are public companies.

### MR DOMENIC FUDA

Group Managing Director/Chief Executive Officer/  
Non-Independent  
Age 49, Male, Australian

Mr Domenic Fuda holds a Bachelor of Economics from Macquarie University, Sydney, as well as a Master of Business (Banking & Finance) and a Master of Business Administration (M.B.A.), both from University of Technology, Sydney.

Mr Domenic Fuda 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 Domenic Fuda was appointed as a Board member and as the Group Managing Director/Chief Executive Officer of HLB on 5 February 2016. He is a member of the EC and BCSC of HLB.

## BOARD OF DIRECTORS

### MR TAN KONG KHOON

Non-Executive Director/Non-Independent  
Age 59, Male, Singaporean

---

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

Mr Tan is currently the President & Chief Executive Officer of HLFGB. He was the Group Managing Director/Chief Executive Officer of HLB from 1 July 2013 to 4 February 2016. Prior to joining HLB, Mr Tan was the Group Executive, Consumer Banking Group of DBS 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 bank in Thailand listed on the Thailand Stock Exchange.

Mr Tan was appointed to the Board of Directors of HLB on 1 July 2013 and is a member of the BCSC, EC, NC and RC of HLB.

Mr Tan is a Director of HLFGB and HLCB, both companies listed on the Main Market of Bursa Securities. He is also the Chairman of Hong Leong Asset Management Bhd and a Director of HLA and Hong Leong MSIG Takaful Berhad, all public companies.

### MR KWEK LENG HAI

Non-Executive Director/Non-Independent  
Age 63, Male, Singaporean

---

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

Mr Kwek was appointed to the Board of Directors 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 President and Chief Executive Officer of Guoco Group Limited ("GGL") and has been an Executive Director of GGL since 1990. He is also the Chairman of Lam Soon (Hong Kong) Limited ("LSHK"). Both GGL and LSHK are listed in Hong Kong. Mr Kwek is also a director of GGL's key subsidiaries including GuocoLand Limited and GL Limited, both public listed companies in Singapore. He is also a director of Bank of Chengdu Co., Ltd.

## BOARD OF DIRECTORS

### **MS LIM LEAN SEE**

Non-Executive Director/Independent  
Age 63, Female, Malaysian

---

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

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

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

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

### **MS CHOK KWEE BEE**

Non-Executive Director/Independent  
Age 64, Female, Malaysian

---

Ms Chok Kwee Bee holds a Bachelor of Art (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 and also a Non-Executive Board Member of the Audit Oversight Board.

Ms Chok is currently the Chairman of Aemulus Holdings Berhad, a public company. She is also a member of the Malaysian Venture Capital Development Council of the Securities Commission and a Non-Executive Board Member of MIMOS Technology Solutions Sdn Bhd (formerly known as Frontier Novatur Sdn Bhd, a wholly-owned subsidiary of MIMOS Berhad). She also sits on the board of several portfolio companies.

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



## BOARD OF DIRECTORS

### **YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH**

Non-Executive Director/Independent

Age 64, Male, British and Malaysian Permanent Resident

---

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

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

YBhg Dato' 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' Lough was appointed to the Board of Directors 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 WIRA AZHAR BIN ABDUL HAMID**

Non-Executive Director/Independent

Age 55, Male, Malaysian

---

YBhg Datuk Wira Azhar bin Abdul Hamid is a Chartered Accountant by training. He is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

YBhg Datuk Wira Azhar is presently the Chairman of Tradewinds Corporation Berhad ("TCB"). He was the President/Group Managing Director of TCB before being appointed as Chairman of TCB. Prior to that, he was the Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd from 2011 to 2014. He was with the Sime Darby Group from 2003 to 2010 where he served in various senior capacities including Managing Director of Sime Darby Plantation Sdn Bhd and Acting President & Group Chief Executive, overseeing the entire Group's operations.

YBhg Datuk Wira Azhar began his senior executive career in 1989 in the United Kingdom, where he served British Telecom Plc as Internal Audit Manager. He returned to Malaysia in 1991 and joined Malaysian Cooperative Insurance Society as Head of Internal Audit. From 1994 to 2001, he was with the Sime Darby Group serving Sime Tyres International Sdn Bhd as Financial Controller, Sime Conoco Sdn Bhd as Business Development Director and the Group's Engineering, Oil & Gas Division as Group General Manager. From 2001 to 2002, YBhg Datuk Wira Azhar was the Group Chief Executive of Pernas International Holdings Bhd.

YBhg Datuk Wira Azhar was appointed to the Board of Directors of HLB on 15 May 2015 and is a member of the BAC of HLB.

YBhg Datuk Wira Azhar is currently the Group Managing Director of Malakoff Corporation Berhad, and a Director of ICON Offshore Berhad and Hume Industries Berhad, companies listed on the Main Market of Bursa Securities.

## BOARD OF DIRECTORS

### YBHG DATUK DR MD HAMZAH BIN MD KASSIM

Non-Executive Director/Independent  
Age 67, Male, Malaysian

YBhg Datuk Dr Md Hamzah bin Md Kassim holds a PhD in Business and a Master's degree in Business Administration. He was inducted into the Alumni Hall of Achievement of Monmouth College in Illinois in 2012.

YBhg Datuk Dr Md Hamzah specializes in large scale institutional and business transformation, working across several sectors including banks, telecommunication companies, public institutions and foreign governments and is the Co-founder/Group Executive Officer of iA Group established in 2002, specializing 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.

Prior to joining the consulting industry, YBhg Datuk Dr Md Hamzah held various senior positions in the government for over 18 years where he served in the field of industrial R&D management and public policy on technology development and innovation. He also served as a member of expert/advisory groups in various national and international organizations 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.

In 2006, YBhg Datuk Dr Md Hamzah was appointed as the consulting advisor to the National Implementation Task Force to oversee the 9th Malaysia Development Plan and in 2009 he was appointed as member of the National Economic Advisory Council. YBhg Datuk Dr Md Hamzah was a member of the Review and Operational Panel to the Malaysian Anti-Corruption Commission from 2013 to February 2015. In 2015, he was appointed as member of the Anti-Corruption Advisory Board.

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

YBhg Datuk Dr Md Hamzah was appointed to the Board of Directors of HLB on 19 May 2016.

YBhg Datuk Dr Md Hamzah is also a Director of HLISB, a public company.

#### Notes:

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

YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Hai and Mr Quek Leng Chye, a deemed major shareholder of HLB, are brothers. 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 2016.

##### 4. Attendance of Directors

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

## KEY SENIOR MANAGEMENT

### MR CHARLES SIK WAN KING

Managing Director, Personal Financial Services

Age 54, Male, Malaysian

Mr Charles Sik Wan King holds a Bachelor of Commerce (Hons) from University of Ottawa, Canada. In addition, he has also 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 Hong Leong Bank Berhad (“HLB”) on 4 February 2015 as Chief Operating Officer, Personal Financial Services. He leads and manages the HLB Retail Banking portfolio. He assumed his current position on 1 September 2016.

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

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

### MR HOR KWOK WAI

Managing Director, Global Markets

Age 43, Male, Malaysian

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

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

Prior to HLB, Mr Hor was Head of Global Markets for The Royal Bank of Scotland Malaysia where he spent seven years working in various roles. Prior to that, he had worked for several major foreign banks in Malaysia such as JPMorgan Chase Bank, Standard Chartered Bank (“SCB”) and OCBC Bank in various roles.

## KEY SENIOR MANAGEMENT

### YM RAJA TEH MAIMUNAH BINTI RAJA ABDUL AZIZ

Managing Director/Chief Executive Officer, Hong Leong Islamic Bank Berhad (“HLISB”), a wholly-owned subsidiary of HLB  
Age 48, Female, Malaysian

YM Raja Teh Maimunah binti Raja Abdul Aziz holds a Bachelor of Laws from University of East London, United Kingdom. She was awarded an Honorary Doctorate of Laws from the same university in 2011.

YM Raja Teh Maimunah was appointed as the Managing Director/Chief Executive Officer of HLISB on 28 October 2011.

She is the Adviser on Islamic Banking and Finance to the World Islamic Economic Forum Foundation, a Board member of Islamic Banking and Finance Institute Malaysia and a member of the Islamic Finance Committee for the Malaysian Institute of Accountants. She is also a Director of Hong Leong MSIG Takaful Berhad, a public company.

YM Raja Teh Maimunah has over 20 years of transactional experience across all product groups of investment banking and Islamic banking including equity and debt origination, mergers and acquisition, private placements, proprietary investments, IPOs and secondary offerings, asset backed securitization, debt and restructuring.

YM Raja Teh Maimunah was the Global Head, Islamic Markets of Bursa Malaysia Berhad and prior to that she held senior positions including Chief Corporate Officer & Head, International Business, Corporate & Investment Banking of Kuwait Finance House (Malaysia) Berhad, Senior Director of Bank Alkhair, Bahrain/Kuala Lumpur, Associate Director at CIMB Investment Bank and Senior Vice President, Investment Banking of RHB Investment Bank.

### MS FOONG PIK YEE

Chief Financial Officer  
Age 57, Female, Malaysian

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

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

She has over 25 years of experience at strategic and tactical levels in the banking sector across Asia and Middle East markets, including Malaysia, Hong Kong, Singapore, Australia and the Middle East. She brings a distinctive mix of financial management, corporate finance and investor relations, strategy and service quality skills in delivering strategic growth ambitions and establishing robust governance frameworks for financial institutions.

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

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

Ms Foong is a director of HLF Credit (Perak) Bhd, a wholly-owned subsidiary of HLB.



## KEY SENIOR MANAGEMENT

### **MS ROSIE GAN HUI TIN**

Country Head, HLB Singapore Branch  
Age 61, Female, Singaporean

Ms Rosie Gan Hui Tin holds a Bachelor of Business Administration degree from the University of Singapore.

Ms Rosie Gan is presently the Country Head of HLB Singapore, a position she assumed since 1 February 2001.

Ms Rosie Gan joined the Hong Leong Group in March 1996. She was Group Managing Director of Camerlin Group Bhd, Malaysia from October 1997 to January 2001.

Ms Rosie Gan has more than 30 years' experience in the banking industry and has held various senior positions. She began her banking career with Chase Manhattan Bank (now known as JPMorgan Chase & Co) in April 1977. In April 1985, she joined Bank Brussels Lambert ("BBL") and was Deputy General Manager in charge of Corporate Banking, Private Banking, Capital Markets, Credit and Bills Department from April 1989 to August 1995. She was also the Managing Director of Bank Brussels Lambert (Singapore) Ltd, a merchant bank of BBL, from July 1990 to August 1995.

### **MR AARON HO WAI CHOONG**

Managing Director, China Operations  
Age 61, Male, Malaysian

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

Mr Aaron Ho joined HLB on 7 April 2008 as Chief Operating Officer of International Banking of HLB China. He assumed his current position on 1 September 2016. He was appointed Vice Chairman of Bank of Chengdu Co., Ltd (an associate company of HLB) since July 2008. He is also the Vice Chairman of Sichuan JinCheng Consumer Finance Company (a joint venture company of HLB), a position he assumed since February 2010.

Mr Aaron Ho has more than 30 years' experience in the banking 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

Chief Executive Officer  
Hong Leong Bank (Cambodia)  
PLC (“HLBCAM”), a wholly-owned  
subsidiary of HLB  
Age 53, Male, Australian

Mr Joseph Farrugia completed a Marketing Strategy short course 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 RAYMOND SIA SAY GUAN

General Director, Hong Leong Bank  
Vietnam Limited (“HLBVN”), a wholly-  
owned subsidiary of HLB  
Age 44, Male, Malaysian

Mr Raymond Sia Say Guan holds a Bachelor of Business from Monash University, Melbourne, Australia.

Mr Raymond Sia joined HLBVN on 2 November 2015 as Chief Operating Officer. He is presently the General Director of HLBVN, a position he assumed on 16 December 2015.

Prior to HLBVN, he was with SCB where he spent 8 years, 4 years each in Vietnam and Malaysia in various roles covering Corporate & Institutional Banking, Commercial & SME Banking and General Director/Chief Executive Officer for Hanoi Branch. Prior to SCB, Mr Raymond Sia was with Usaha Tegas Sdn Bhd where he spent 4 years as a Corporate Treasury Manager. He started his banking career in Public Bank Berhad where he spent 11 years in Corporate Banking.

## KEY SENIOR MANAGEMENT

### **MS MARGARET LEUNG**

Chief Executive, HLB Hong Kong  
Branch

Age 55, Female, Hong Kong, SAR

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

Ms Margaret Leung joined HLB as General Manager of HLB Hong Kong on 18 April 2016 and is presently the Chief Executive for the branch, a position she assumed since 1 June 2016.

Ms Margaret Leung has over 20 years of Corporate and Institutional banking experience across Asia. Prior to joining HLB, Ms Margaret Leung has worked for several international banking corporations including SCB, JPMorgan Chase and ANZ Bank.

#### **Notes:**

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

None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLB.

**2. Conflict of Interest**

None of the Key Senior Management has any conflict of interest with HLB.

**3. Conviction of Offences**

None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2016.

# BOARD AUDIT COMMITTEE REPORT

## CONSTITUTION

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

## Composition

### Ms Lim Lean See

*(Chairman, Independent Non-Executive Director)*

### YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah

*(Independent Non-Executive Director)*

### YBhg Datuk Wira Azhar bin Abdul Hamid

*(Independent Non-Executive Director)  
(Appointed with effect from 20 October 2015)*

## SECRETARY

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

## TERMS OF REFERENCE (“TOR”)

The terms of reference of 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 TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BAC.

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

## MEETINGS

The BAC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

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

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

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

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

## ACTIVITIES

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

During the financial year ended 30 June 2016, nine (9) BAC meetings were held and the attendance of the BAC members was as follows:

Members	Attendance
Ms Lim Lean See	9/9
YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah	9/9
YBhg Datuk Wira Azhar bin Abdul Hamid <sup>(1)</sup>	6/7

### Note

<sup>(1)</sup> Appointed with effect from 20 October 2015



# BOARD AUDIT COMMITTEE REPORT

## HOW THE BAC DISCHARGES THEIR 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.

The legal and regulatory environment was monitored and consideration given to changes in law, regulation, accounting policies and practices including the new Auditor Reporting Standards – ISA 701 on key audit matters, and the additional disclosure requirements under the amended Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

### External Audit

The external auditors of the Group for the financial year ended 30 June 2016 is Messrs PricewaterhouseCoopers (“PwC”). 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 response to the external auditor’s 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 audit fees and their scope of services. The fees paid to PwC for the financial year ended 30 June 2016 amounted to RM2,185,556 of which RM955,100 was payable in respect of non-audit services. Non-audit services accounted for 44% of the total fees payable. The BAC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BAC also evaluated the performance of PwC and considered PwC to be independent. PwC, in accordance with professional ethical standards, have provided the BAC with confirmation of their independence for the duration of the financial year ended 30 June 2016 and the measures used to control the quality of their work.

The BAC has therefore recommended to the Board that PwC be re-appointed as the auditors. Resolution concerning the re-appointment of PwC will be proposed to shareholders at the 2016 Annual General Meeting.

### 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 monitor, track and identify the RRPT as well as to ensure that 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.

# BOARD AUDIT COMMITTEE REPORT

## HOW THE BAC DISCHARGES THEIR RESPONSIBILITIES (CONTINUED)

### 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 review of BAC on the audit findings and recommendations of the GIAD focusing on the adequacy and integrity of internal control systems, business and compliance audits on the respective Divisions. The management's responses to GIAD's findings were also presented for the BAC's consideration. The BAC also reviewed at every BAC meetings the status update of management's corrective action plans for the resolution of internal audit's findings and recommendations. Recommendations were made by BAC to ensure that the root causes raised by GIAD in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

## GROUP INTERNAL AUDIT DIVISION ("GIAD")

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

During the financial year ended 30 June 2016, GIAD carried out its duties covering audit on operations, information technology system, credit, head office, branches, business centre, mortgage sales centre, loan centre, investigation and other assignments as directed. These audits are performed in line with the BNM Guidelines on Internal Audit Function.

GIAD participated in an advisory or consulting role in a number of products and projects reviews. Besides performing internal audit functions to the Bank Group, it also through a service agreement, provides internal audit services to Hong Leong Capital Berhad Group, Hong Leong Assurance Berhad, Hong Leong MSIG Takaful Berhad and HL Fund Management Sdn Bhd. The cost incurred for the Internal Audit function of the Bank in respect of the financial year ended 30 June 2016 was RM11.6 million.

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

# BOARD RISK MANAGEMENT COMMITTEE REPORT

## CONSTITUTION

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

## Composition

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

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

**Ms Chok Kwee Bee**  
(Independent Non-Executive Director)

## SECRETARY

The Secretariat to the BRMC is the Group Integrated Risk Management & Compliance (GIRMC) Division of the Bank.

## TERMS OF REFERENCE

### Risk Management and Compliance

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

# BOARD RISK MANAGEMENT COMMITTEE 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.

## MEETINGS

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

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

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

Two (2) members of the BRMC, who shall be independent 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.

## ACTIVITIES

The BRMC carried out its duties in accordance with its Terms of Reference supported by the GIRMC function.

For the financial year ended 30 June 2016, six (6) BRMC meetings and two (2) 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	8/8
Ms Lim Lean See	8/8
Ms Chok Kwee Bee	8/8

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

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

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



## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

~ Finance Committee on  
Corporate Governance

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

### A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference (“TOR”) to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board and published on the Company’s website at ‘www.hlb.com.my’. The key roles and responsibilities of the Board broadly covers formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia (“BNM”) as specified in guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director (“GMD”) assisted by the management team. The GMD 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 function and internal controls; and risk management to the Board Audit Committee (“BAC”) and Board Risk Management Committee (“BRMC”) respectively. The Nominating Committee (“NC”) is delegated the authority to, inter alia, assess and review Board, Board Committees and Chief Executive Officer (“CEO”) appointments and re-appointments and to 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 and the GMD, which are distinct and separate. This segregation of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

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

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

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. INEDs do not participate in the day-to-day management of the Bank and there are no relationships or circumstances that could interfere with or are likely to affect the exercise of their independent judgment or the 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’s key corporate social responsibility activities are set out in the Corporate Social Responsibility Statement in this Annual Report.

The Board observes the Company Directors’ Code of Ethics established by the Companies Commission of Malaysia (“CCM”) which is available at CCM’s website at ‘www.ssm.com.my’. In addition, the Bank also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are observed by the employees. The Bank has incorporated whistle blowing provisions in the Code of Conduct and Ethics to provide a structured channel for all employees to report misconducts or wrongful acts in the Bank in a responsible manner.

## B. BOARD COMPOSITION

The Board comprises nine (9) directors, eight (8) of whom are non-executive. Of the non-executive directors, five (5) are independent. The profiles of the members of the Board are provided in the Annual Report.

BNM’s Guidelines on Corporate Governance for Licensed Institutions was superseded by BNM’s policy document on Corporate Governance (“BNM CG”) with effect from 3 August 2016.

The Bank is guided by BNM CG 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 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 Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group’s 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 functions and responsibilities of the BAC are set out in the TOR which are published on the Bank’s website (‘www.hlb.com.my’).

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## C. BOARD COMMITTEES (CONTINUED)

### (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 functions and responsibilities of the BRMC are set out in the TOR which are published on the Bank's website ('www.hlb.com.my').

### (c) NC

The NC has been established on 17 June 2003. The composition of the NC was reconstituted as follows:

Ms Lim Lean See  
*(Independent Non-Executive Director)*  
*(Appointed as Chairman with effect from 6 May 2016)*

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

Ms Chok Kwee Bee  
*(Independent Non-Executive Director)*  
*(Appointed with effect from 1 July 2015)*

Mr Tan Kong Khoon  
*(Non-Independent Non-Executive Director)*  
*(Appointed with effect from 10 March 2016)*

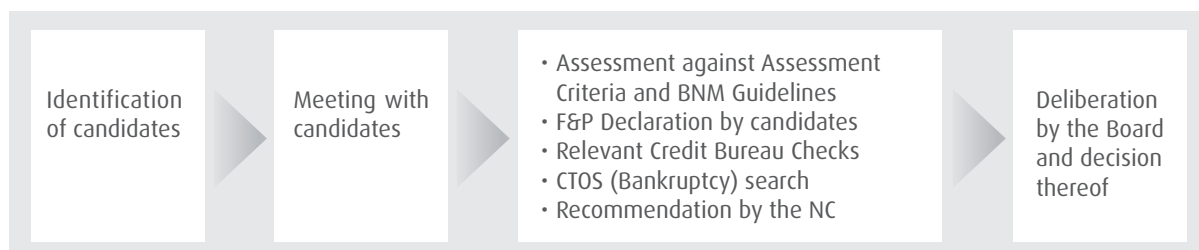
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah  
*(Independent Non-Executive Director)*  
*(Appointed with effect from 6 May 2016)*

The NC's functions and responsibilities are set out in the TOR which is published on the Bank's website ('www.hlb.com.my').

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 appointment, re-appointment, re-election and retention of directors, (ii) the appointment of Board Committee members, and (iii) the appointment and re-appointment of CEO, and the criteria 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:



# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## C. BOARD COMMITTEES (CONTINUED)

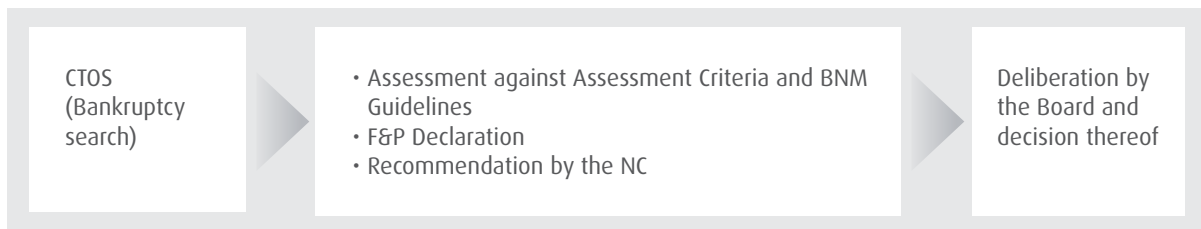
### (c) NC (continued)

#### (i) New Appointments (continued)

In assessing the candidates, 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 core competencies of the Board as a whole having regard to the candidates' attributes, qualifications, management, leadership and business experience. In the case of CEO, the NC would take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider the candidates' F&P Declarations in line with the standards required under the relevant BNM Guidelines.

#### (ii) Re-Appointments

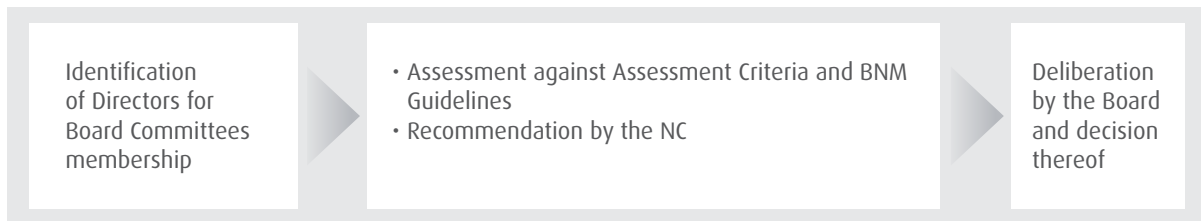
The assessment and approval process for re-appointments is as follows:



For re-appointments, the Directors/CEOs will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, commitment and for independent directors, their independence as well as the Annual Board Assessment results and F&P Declarations.

#### (iii) Board Committee Appointments

The nomination, assessment and approval process for Board Committees Appointments is as follows:



The assessment for Board Committees Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regards 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 ("Board Annual Assessment"). For newly appointed director/CEO, the Board Annual Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

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.



## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### C. BOARD COMMITTEES (CONTINUED)

#### (c) NC (continued)

During the financial year ended 30 June 2016 ("FYE 2016"), three (3) NC meetings were held and the attendance of the NC members was as follows:

Member	Attendance
YBhg Tan Sri Quek Leng Chan	3/3
Ms Lim Lean See	3/3
Ms Chok Kwee Bee	2/3
Mr Tan Kong Khoon <sup>(1)</sup>	1/1
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah <sup>(2)</sup>	-
YBhg Tan Sri A. Razak bin Ramli <sup>(3)</sup>	3/3

Notes:

<sup>(1)</sup> Appointed with effect from 10 March 2016.

<sup>(2)</sup> Appointed with effect from 6 May 2016. All the three (3) NC meetings were held before his appointment.

<sup>(3)</sup> Resigned with effect from 6 May 2016.

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

- Reviewed and recommended to the Board for consideration and approval new Board appointments, re-appointments and Board Committee positions;
- Considered and recommended to the Board for approval the appointment of GMD;
- Considered and recommended to the Board for approval the appointment of Chief Compliance Officer;
- Carried out the Board Annual Assessment and was satisfied that the Board as a whole, Board Committees and individual directors have continued to effectively discharged 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;
- 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 in line with the BNM Policy Document on F&P criteria;
- Reviewed and recommended to the Board for adoption the revision to the Tenure Policy of independent directors of the Bank wherein the tenure for independent directors was revised from 12 years to 9 years;
- Reviewed and recommended to the Board for adoption the revision to the F&P Policy on new appointments and re-appointment of directors and CEO; Board Committees appointments and Board Annual Assessment;
- Refined the assessment process for new Board appointments in the assessment process to include a credit bureau check to improve the effectiveness of the evaluation of Board candidates on financial probity.

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## C. BOARD COMMITTEES (CONTINUED)

### (d) Remuneration Committee (“RC”)

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

YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah  
(Chairman, Independent Non-Executive Director)  
(Appointed with effect from 1 July 2015)

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

Mr Tan Kong Khoon  
(Non-Independent Non-Executive Director)  
(Appointed with effect from 10 March 2016)

The RC’s functions and responsibilities are set out in the TOR, which is published on the Bank’s website ([www.hlb.com.my](http://www.hlb.com.my)).

During the FYE 2016, one (1) RC meeting was held and the attendance of the RC members was as follows:

Member	Attendance
YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah	1/1
YBhg Tan Sri Quek Leng Chan	1/1
Mr Tan Kong Khoon <sup>(1)</sup>	-

Note:

<sup>(1)</sup> The RC meeting was held before his appointment on 10 March 2016.

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

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The RC, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group’s Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of directors are recommended and endorsed by the Board for approval by the shareholders of the Bank at its Annual General Meeting (“AGM”).

The aggregate remuneration of director (including the director who had retired during the financial year, and remuneration earned as directors of subsidiaries) for the FYE 2016 is as follows:

	Fees (RM)		Salaries & Other Emoluments (RM)		Total (RM)	
	Company	Group	Company	Group	Company	Group
Executive Directors	-	-	11,267,084	11,267,084	11,267,084	11,267,084
Non-Executive Directors	595,737	729,370	336,802	389,120	932,539	1,118,490

## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### C. BOARD COMMITTEES (CONTINUED)

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

The number of directors whose remuneration (including the director who had resigned during the FYE 2016) falls into the following bands is as follows:

Range of Remuneration (RM)	Executive		Non-Executive	
	Company	Group	Company	Group
1 – 50,000	-	-	1	-
50,001 – 100,000	-	-	-	1
100,001 – 150,000	-	-	1	-
150,001 – 200,000	-	-	2	2
200,001 – 250,000	-	-	2	3
4,350,001 – 4,400,000	1	1	-	-
6,850,001 – 6,900,000	1	1	-	-

#### (e) Board Credit Supervisory Committee (“BCSC”)

The members of the BCSC are as follows:

YBhg Tan Sri Quek Leng Chan (*Chairman*)  
Mr Domenic Fuda (*Appointed with effect from 5 February 2016*)  
Mr Tan Kong Khoon  
Y.M. Raja Teh Maimunah binti Raja Abdul Aziz

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

During the FYE 2016, eighteen (18) BCSC meetings were held and the attendance of the BCSC members was as follows:

Member	Attendance
YBhg Tan Sri Quek Leng Chan	18/18
Mr Domenic Fuda <sup>(1)</sup>	7/7
Mr Tan Kong Khoon	17/18
Y.M. Raja Teh Maimunah binti Raja Abdul Aziz	17/18

Note:

<sup>(1)</sup> Appointed with effect from 5 February 2016 and attended all the seven (7) BCSC meetings held since his appointment.

#### (f) Executive Committee (“EXCO”)

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

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code. Recommendation 3.2 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. Recommendation 3.3 states that in the event the Company wishes to retain an independent director who has served a cumulative term of 9 years and above, shareholders' approval shall be sought at the AGM every year with justification.

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 any company under the Hong Leong Financial Group for a period of 9 years continuously or more shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an independent director, upon:

- (a) the expiry of his term of office approved by BNM; or
- (b) the due date for his retirement either by rotation pursuant to the Articles of Association of the Bank or pursuant to Section 129(2) of the Companies Act, 1965, as the case may be.

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

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 tenure of all the independent directors on the Board does not exceed 9 years.

## 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 adhoc 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.

All Board members are supplied with information in a timely manner. The Company 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 139A of the Companies Act, 1965. She is responsible for providing support and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate governance. 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 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 an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.



## CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

### E. COMMITMENT (CONTINUED)

The Board met eight (8) times for the FYE 2016 with timely notices of issues to be discussed. Details of attendance of each director are as follows:

Member	Attendance
YBhg Tan Sri Quek Leng Chan	8/8
Mr Domenic Fuda <sup>(1)</sup>	3/3
Mr Tan Kong Khoon	8/8
Mr Kwek Leng Hai	8/8
Mr Quek Kon Sean <sup>(2)</sup>	8/8
Ms Lim Lean See	8/8
Ms Chok Kwee Bee	7/8
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	8/8
YBhg Datuk Wira Azhar bin Abdul Hamid	7/8
YBhg Datuk Dr Md Hamzah bin Md Kassim <sup>(3)</sup>	1/1
YBhg Tan Sri A. Razak bin Ramli <sup>(4)</sup>	7/7

#### Notes:

- <sup>(1)</sup> Three (3) Board meetings were held since his appointment to the Board on 5 February 2016.
- <sup>(2)</sup> Resigned with effect from 9 July 2016.
- <sup>(3)</sup> One (1) Board meeting was held since his appointment to the Board on 19 May 2016.
- <sup>(4)</sup> Resigned with effect from 6 May 2016.

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

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

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

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

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

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

During the FYE 2016, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Bank also organised an in-house programme for its directors and senior management.

The directors of the Bank have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

During the FYE 2016, the directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- BNM – Financial Institutions Directors' Education ("FIDE") Core Programme
- BNM – FIDE Elective Programme: Advanced Corporate Governance
- BNM – FIDE Forum – "Breakfast Series with Directors - The Board's Response in Light of Rising Shareholder Engagements"
- BNM – FIDE Forum & Perbadanan Insurans Deposit Malaysia – Special Invite: Directors Register Focus Group Sessions
- BNM – FIDE Forum: Invitation to the Launch of the Directors' Remuneration Report 2015
- BNM – FIDE Forum: A Dialogue on "The New and Revised Auditor Reporting Standards: Implications to Financial Institutions"
- BNM – FIDE Forum: Special Invitation to Industry Briefing on Directors Register Implementation

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## E. COMMITMENT (CONTINUED)

- BNM – FIDE Forum: Directors’ Remuneration Report 2015: Briefing Session for Directors. A special briefing on the implementation of the Recommendations
- BNM – FIDE Forum: Focus Group Discussion in Preparation for Dialogue with BNM’s Senior Management (for the Banking, Islamic Banking and Investment Banking Businesses)
- BNM – FIDE Forum: 1st Distinguished Board Leadership Series - “Cyber-Risk Oversight”
- BNM – FIDE Forum: 2nd Distinguished Board Leadership Series “Avoiding Financial Myopia”
- BNM – FIDE Forum: 4th Distinguished Board Leadership Series: Board Leading Change : Organisational Transformation Strategy as Key to Sustainable Growth in Challenging Times”
- BNM – FIDE Forum: 5th Distinguished Board Leadership Series: “Beyond Compliance to Growth – Board’s Strategy in Cultivating Real Growth within a Conducive Governance Environment”
- FIDE Forum - 6th Distinguished Board Leadership Series “Digital Transformation and Its Impact on Financial Services – Role of the Board in Maximising Potential”
- BNM – FIDE Forum: 3rd BNM-FIDE FORUM Annual Dialogue with the Governor of Bank Negara Malaysia
- BNM – FIDE Forum: Invitation to the Launch of Directors Register “Handbook on Board Leadership Framework for Financial Institutions in Malaysia”
- ICLIF & Bursa Malaysia – “Board Chairman Series Part 2: Leadership Excellence from the Chair”
- Bursa Malaysia & Malaysian Institute of Accountants – Future of Auditor Reporting – The Game Changer for Boardroom
- Bursa Malaysia & Minority Shareholder Watchdog Group – Institutional Investor Council Governance Week 2016
- Bursa Malaysia – Ring The Bell for Gender Equality
- Bursa Malaysia – Directors Corporate Governance Series “Building Effective Finance Function: From Reporting to Analytics to Strategic Input”
- Securities Industry Development Corporation (SIDC) & Bursa Malaysia: “The Interplay Between CG, NFI and Investment Decision – What Boards of Listed Companies Need to Know”
- SIDC – Capital Market Director Programme
- Bursatra Sdn Bhd – Mandatory Accreditation Programme for Directors of Public Listed Companies
- Persatuan Ekonomi Malaysia - 2016 BNM Governor’s Address on the Malaysian Economy & Panel Discussion
- Federation of Public Listed Companies Bhd – Governance, Director Duties and Listing Requirement Updates for Directors of PLCs
- Institute of Enterprise Risk Practitioners – Global Conference 2016 – Enterprise Risk Management and Power of Disruption
- Amanie Academy – The Essence of Shariah Compliance in Modern Islamic Financial Institutions – Shariah Standards
- Jabatan Kerja Raya Malaysia – Seminar Health Facility Planning
- Digital Banking & Current Challenges in Accounting (IFRS)
- The Most Innovative Companies – Four Factors that Differentiate Leaders
- Anti-Money Laundering and Counter Financing of Terrorism – Recent Lessons Learnt from Industry
- BNM Concept Paper on Corporate Governance
- BNM Concept Paper on Shareholder Suitability
- Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements
- Amendments to Capital Markets and Services Act 2007 and Securities Commission Act 1993
- Regulatory update session on recent changes in regulations, legislation and accounting standards
- Third Party Contracts (Rights of Third Parties) Ordinance
- New guidance on direct marketing provisions under the Personal Data (Privacy) Ordinance.

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## F. ACCOUNTABILITY AND AUDIT

The Bank has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Bank's reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

### I Financial Reporting

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BAC, which assesses the integrity of financial statements with the assistance of the external auditors.

### II Risk Management and Internal Control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The BRMC is delegated with the responsibility to provide oversight on the Bank's management of critical risks that the Group faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank.

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

### III Relationship with Auditors

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

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

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

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

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

## G. DISCLOSURE

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

All timely disclosure and material information documents will be posted on the website after release to Bursa.

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## H. SHAREHOLDERS

### I Dialogue between Companies and Investors

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

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

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

The Board has identified Ms Lim Lean See, the Chairman of the BAC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the following persons to direct queries and provide feedback to the Group:

#### **GENERAL MANAGER, GROUP CORPORATE AFFAIRS & PUBLIC RELATIONS**

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

#### **CHIEF FINANCIAL OFFICER**

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

### II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to vote by way of a poll and the voting results will be announced at the meetings and through Bursa.



# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

## I STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### I. Introduction

The Board recognizes that practice of good governance is an important process and has established the Board Audit Committee (BAC) and Board Risk Management Committee (BRMC) to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessment and improvement are ongoing and are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers'.

### II. Board Responsibilities

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The risk management and internal control framework is designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of the Group, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of risk management and internal control instituted throughout the Group is updated from time to time to align with the dynamic changes in the business environment as well as any process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, procedures and guidelines on risk management and internal control.

### III. Risk Management and Internal Control Framework

The organizational structure of the Group clearly defines the lines of accountability and responsibility. Risk assessment and evaluation is an integral part of the Group's strategic planning cycle and are responsive to business environment and opportunities. Management committees are appropriately set up to ensure proper utilization and investment of the Group's assets for effective risk return rewards or to limit losses. The Group Integrated Risk Management & Compliance (GIRMC) Division undertakes the implementation of an enterprise-wide and integrated risk framework in the business and support units to inculcate continuous risk and regulatory compliance awareness, understanding of procedures and controls and thus, improve the overall control environment.

Operationally, the Group operates multiple lines of defenses to effect a robust control framework. At the first level, the operating business and support units are responsible for the day-to-day management of risks inherent in the various business activities. Regulatory and operational compliance units are set up in the various lines of business and support departments. They oversee the day-to-day compliance to all regulatory requirements, business and process controls. GIRMC, at the second level, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. In addition, overall oversight is provided by the Regulatory Compliance Department, which is a unit of GIRMC. Thirdly, the Internal Audit function complements GIRMC by its activity of monitoring and evaluating significant exposures to risk and contributing to the improvement of the risk management and control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management framework.

The above is depicted in the following diagram:



# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

### III. Risk Management and Internal Control Framework (continued)

#### a) Risk Management

Managing risks is an integral part of the Group's overall business strategy. It involves a process for identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives. The Board sets the risk appetite and tolerance level and allocates the Group's capital that is consistent with the Group's overall business objectives and desired risk profile. Recognizing the need to be proactive in the management of risks, the Group has implemented an Integrated Risk Management ("IRM") framework where the Group's risks are managed at various levels.



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

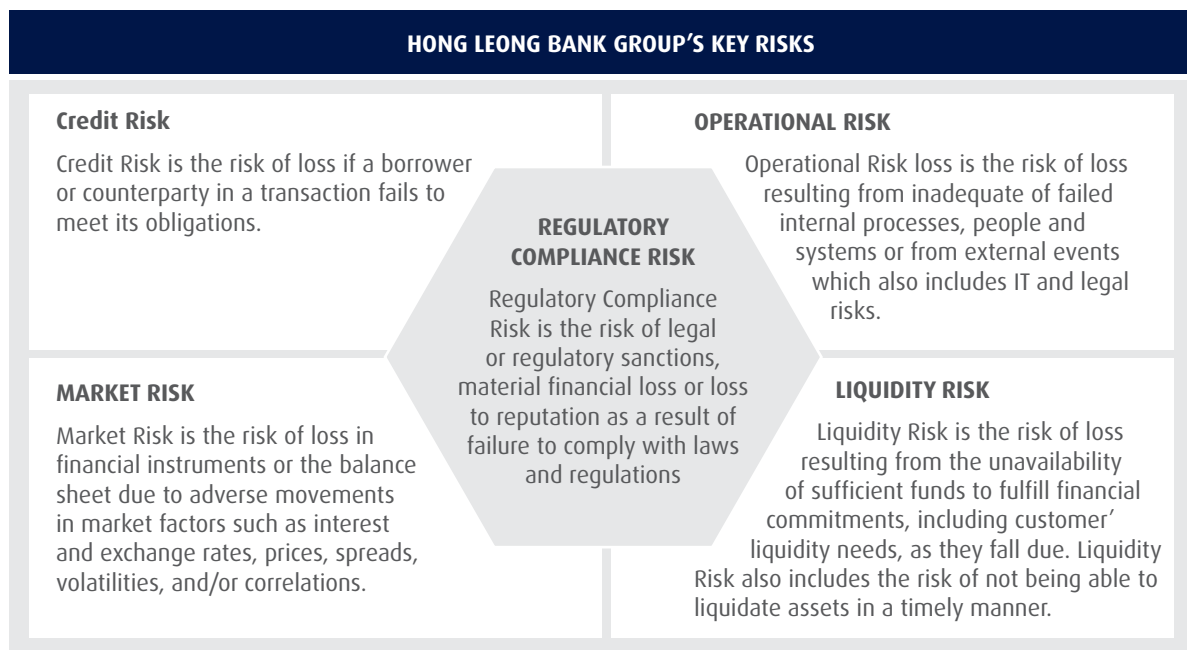
# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

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

#### (a) Risk Management (continued)

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



#### b) Basel II and III

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

For Basel II Pillar 1, the Group is 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") framework that forms an integrated approach to manage the Group's risk, capital and business strategy. For Basel II Pillar 3, which is related to market discipline and disclosure requirements, the Group has provided the disclosures under a separate Pillar 3 section in this Annual Report.

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

# CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

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

#### c) Internal Audit

The Bank's Group Internal Audit Division (GIAD) performs the internal auditing function for the various entities in the financial services group. The GIAD regularly reviews the critical operations (as defined in BNM Guideline on Internal Audit Function) and critical controls in the Information Technology environment (as outlined in BNM GPIS) of the Group to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by GIAD are reported to the BAC. Follow-up action and the review of the status of action taken as per the auditors' recommendations are carried out by Management via the Management Audit Committee (chaired by the Chief Risk Officer) whose members comprise senior management. The minutes of meetings of the Management Audit Committee is tabled to the BAC for notation.

Implementation of audit recommendations is 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 the Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.
- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by the GIAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are set out in operation manuals and disseminated throughout the organization 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 to internal controls requirements.

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

The Board has received assurances from the Group Managing Director, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor that the Group's risk management and internal control system is operating adequately and effectively.

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

### 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 Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) 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.

## J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Bank as at the end of the financial year and of its financial performance and cash flows of the Group and of the Bank for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Bank for the FYE 2016, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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 2016.

## 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 real property investment, investment holding and nominee services. The details of the subsidiary companies are disclosed in Note 11 to the financial statements.

## BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy underwent a challenging year in 2016 as the domestic sector adjusted to fiscal reforms and a weaker external economic environment including greater volatility in the financial markets in the wake of policy shifts in the US.

Despite prevailing domestic and external headwinds the Malaysian economy is expected to sustain a 4.0% – 4.5% growth in 2016. Notwithstanding higher costs of living following the implementation of GST and fluctuations in the exchange rate, we expect that stable employment and wage growth will continue to support overall consumer spending. External demand remains subdued as modest improvements in advanced economies were negated by a slowdown in China and other emerging economies.

Given the challenging economic environment in Malaysia and in the countries we operate, the bank will continue to focus on optimising operational efficiencies via strategic cost management initiatives whilst maintaining productivity. We continue to drive franchise growth through our Community Banking approach, embedding customer service excellence through our “Best in Class” technological platforms to offer digital solutions and e-payment capabilities as well as leveraging on our customer analytics capabilities.

## OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The world economy will continue to expand at a moderate pace in 2017, underpinned by continuous growth in developed economies and recovery in emerging markets.

The Malaysian economy is expected to maintain a moderate growth trajectory in 2017 after growing 4.0% – 4.5% in 2016. Overall growth will continue to be supported by the private sector and improvements in exports as the world economy recovers. Private consumption is expected to improve as consumers turn optimistic over the growth outlook and as business investment activity gathers steam from the rolling out of capital expenditure plans. Meanwhile, recovery in commodity prices is expected to lend further support to Malaysia exports.

We expect the Malaysian banking sector to take on a moderate growth path, with overall support from the household sector. The banking sector is expected to remain healthy with sufficient liquidity, stable asset quality, and good capitalization. Persistent competition and a more challenging operating environment will nevertheless spell continuous pressure on the bank's margins.

In view of the subdued economic environment, the Group will pursue a balanced and diversified growth for both domestic and regional businesses, in particular focusing on our core customer segments and scalable business proposition, to create substantive business value for Personal, Business and Islamic Banking customers. With customers as the main focus of our long term agenda, we will continue to deliver value added services by re-imagining banking through better understanding of the customer journey. At the same time, we will also strengthen our digital offerings and customer analytics capabilities to differentiate our multi-channel banking services. In the new financial year, there will be strong emphasis on improving operational efficiency and scaling productivity through strategic cost and portfolio management for superior returns and sustainable growth.



# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## PERFORMANCE REVIEW AND MANAGEMENT REPORTS

The Board receives and reviews regular reports from the Management on key financial and operating statistics as well as legal and regulatory matters. The performance of each business unit is assessed against the approved budgets and business objectives whilst explanation is provided for significant variances.

## CREDIT INFORMATION RATING

On 13 November 2015, Rating Agency Malaysia Berhad has reaffirmed the Bank's long-term rating at AA1 and its short-term rating at P1, with stable outlook.

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

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

Rating Agency	Date Accorded	Rating Classification
Rating Agency Malaysia Berhad	13-Nov-15	Long-Term Rating: AA1 Short-Term Rating: P1 Subordinated Notes: AA2 Tier 1 Capital Securities: AA3
Moody's Investors Services Ltd	11-Jan-16	Long-Term Rating: A3 Short-Term Rating: P2 Senior Unsecured: A3
Fitch Ratings Ltd	19-Aug-16	Long-Term Rating: A- Short-Term Rating: F2 Senior Unsecured: A-

## FINANCIAL RESULTS

	The Group	The Bank
	RM'000	RM'000
Profit before taxation	2,381,699	2,024,863
Taxation	(478,282)	(420,269)
Net profit for the financial year	1,903,417	1,604,594

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## DIVIDENDS

Since the last financial year ended 30 June 2015, a final single tier dividend of 26.0 sen per share amounting to RM458,730,532 in respect of the financial year ended 30 June 2015, was paid on 18 November 2015.

An interim single tier dividend for the financial year ended 30 June 2016 of 15.0 sen per share amounting to RM306,818,053 was paid on 24 March 2016.

The Directors now propose a final single tier dividend of 26.0 sen per share on the Bank's adjusted issued and paid-up share capital (excluding the 81,101,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965 and ESOS scheme of 41,162,900 shares) of RM2,045,453,684 comprising 2,045,453,684 shares, amounting to RM531,817,958 for the financial year ended 30 June 2016.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

## SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements.

## SHARE CAPITAL

During the financial year, the Bank increased its issued and paid-up capital from 1,879,909,100 to 2,167,718,284 via issuance of 287,809,184 new ordinary shares of RM1.00 each on the basis of 4 Rights Shares for every 25 existing shares held by the Bank's entitled shareholders on 27 November 2015 at an issue price of RM10.40 per rights share.

## 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' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are as follows:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Domenic Fuda	(Group Managing Director/Chief Executive Officer, Non-Independent) (Appointed with effect from 5 February 2016)
Mr Tan Kong Khoon	(Non-Independent Non-Executive Director) (Re-designated with effect from 5 February 2016)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
Ms Lim Lean See	(Independent Non-Executive Director)
Ms Chok Kwee Bee	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	(Independent Non-Executive Director)
YBhg Datuk Wira Azhar bin Abdul Hamid	(Independent Non-Executive Director)
YBhg Datuk Dr Md Hamzah bin Md Kassim	(Independent Non-Executive Director) (Appointed with effect from 19 May 2016)
YBhg Tan Sri A. Razak bin Ramli	(Independent Non-Executive Director) (Resigned with effect from 6 May 2016)
Mr Quek Kon Sean	(Non-Independent Non-Executive Director) (Resigned with effect from 9 July 2016)

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or options over ordinary shares of the Bank and/or its related corporations during the financial year are as follows:

	Shareholdings in which Directors have direct interests				
	Nominal value per share RM (unless indicated)	As at 01.07.2015	Acquired	Sold	As at 30.06.2016
<b>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** or redeemable convertible cumulative preference shares***</b>					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	449,064 <sup>(9)</sup>	-	5,438,664
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	<sup>(1)</sup>	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GL Limited (formerly known as GuocoLeisure Limited)	USD0.20	735,000	-	-	735,000
The Rank Group Plc	GBP13 <sup>8/9</sup> p	285,207	-	-	285,207
<b>Interests of Mr Kwek Leng Hai in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	420,500	-	-	420,500
Hong Leong Industries Berhad	0.50	190,000	-	-	190,000
Hong Leong Financial Group Berhad	1.00	2,316,800	209,200 <sup>(9)</sup>	-	2,526,000
Hong Leong Bank Berhad	1.00	4,750,000	760,000 <sup>(9)</sup>	-	5,510,000
Hume Industries Berhad	1.00	205,200	-	-	205,200
Guoco Group Limited	USD0.50	3,800,775	-	-	3,800,775
GuocoLand Limited	<sup>(1)</sup>	35,290,914	-	-	35,290,914
Lam Soon (Hong Kong) Limited	<sup>(5)</sup>	2,300,000	-	-	2,300,000
GuocoLand (Malaysia) Berhad	0.50	226,800	-	-	226,800
Malaysian Pacific Industries Berhad	0.50	71,250	-	-	71,250
The Rank Group Plc	GBP13 <sup>8/9</sup> p	1,026,209	-	-	1,026,209
<b>Interests of Mr Quek Kon Sean<sup>(13)</sup> in:</b>					
Hong Leong Financial Group Berhad	1.00	2,250,000	202,500 <sup>(9)</sup>	-	2,452,500
Hong Leong Company (Malaysia) Berhad	1.00	-	164,355	-	164,355
Hong Leong Industries Berhad	-	-	200,000*	-	200,000*
Hume Industries Berhad	-	-	100,000*	-	100,000*
GuocoLand Limited	-	-	100,000*	-	100,000*
GL Limited (formerly known as GuocoLeisure Limited)	-	-	100,000*	-	100,000*
<b>Interest of Mr Tan Kong Khoon in:</b>					
Hong Leong Bank Berhad	-	8,000,000*	-	(8,000,000) <sup>(12)</sup>	-

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## DIRECTORS' INTERESTS (CONTINUED)

Shareholdings in which Directors have 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** or redeemable convertible cumulative preference shares***					
	Nominal value per share RM (unless indicated)	As at 01.07.2015	Acquired	Sold	As at 30.06.2016
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	164,355 <sup>(6)</sup>	-	13,233,455 <sup>(6)</sup>
Hong Leong Financial Group Berhad	1.00	824,437,300	73,999,432 <sup>(9)</sup>	-	898,436,732
Hong Leong Capital Berhad	1.00	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	1.00	1,160,549,285	185,687,884 <sup>(9)</sup>	-	1,346,237,169
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad	0.50	245,435,003 <sup>(6)</sup>	-	-	245,435,003 <sup>(6)</sup>
		-	200,000 <sup>*(6)</sup>	-	200,000 <sup>*(6)</sup>
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
Malaysian Pacific Industries Berhad	0.50	112,217,857 <sup>(6)</sup>	-	-	112,217,857 <sup>(6)</sup>
Carter Resources Sdn Bhd (formerly known as Carter Realty Sdn Bhd)	1.00	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 <sup>(7)</sup>	-	-	22,400 <sup>(7)</sup>
Hume Industries Berhad	1.00	354,373,046 <sup>(6)</sup>	-	(925,559) <sup>(11)</sup>	353,447,487 <sup>(6)</sup>
		-	100,000 <sup>*(6)</sup>	-	100,000 <sup>*(6)</sup>
Guoco Group Limited	USD0.50	237,124,930	-	-	237,124,930
GuocoLand Limited	<sup>(1)</sup>	819,244,363 <sup>(6)</sup>	-	-	819,244,363 <sup>(6)</sup>
		-	100,000 <sup>*(6)</sup>	-	100,000 <sup>*(6)</sup>
Southern Steel Berhad	1.00	299,541,202	-	-	299,541,202
	1.00	141,627,296 <sup>**</sup>	-	-	141,627,296 <sup>**</sup>
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	118,822,953	-	-	118,822,953
	1.00	20,000,000 <sup>****(8)</sup>	-	-	20,000,000 <sup>****(8)</sup>
Belmeth Pte. Ltd.	<sup>(1)</sup>	40,000,000	-	-	40,000,000
Guston Pte. Ltd.	<sup>(1)</sup>	8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd.	<sup>(1)</sup>	24,000,000	-	-	24,000,000
First Garden Development Pte Ltd (In members' voluntary liquidation)	<sup>(1)</sup>	63,000,000	-	(63,000,000) <sup>(10)</sup>	-
Sanctuary Land Pte Ltd (In members' voluntary liquidation)	<sup>(1)</sup>	90,000	-	(90,000) <sup>(10)</sup>	-



**DIRECTORS' REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**DIRECTORS' INTERESTS (CONTINUED)**

	Shareholdings in which Directors have 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** or redeemable convertible cumulative preference shares***				
	Nominal value per share RM (unless indicated)	As at 01.07.2015	Acquired	Sold	As at 30.06.2016
<b>Interests of YBhg Tan Sri Quek Leng Chan in: (continued)</b>					
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	-	-	150,000,000
Shanghai Xinhaojia Property Development Co., Ltd	(2)	3,150,000,000	-	-	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	-	-	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	-	(50,000,000)	-
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	(5)	9,800	-	(9,800) <sup>(10)</sup>	-
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	455,698,596	-	-	455,698,596
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 <sup>(7)</sup>	-	-	68,594,000 <sup>(7)</sup>
Continental Estates Sdn Bhd	1.00	34,408,000	-	-	34,408,000
	0.01	123,502,605 <sup>(7)</sup>	-	-	123,502,605 <sup>(7)</sup>
GL Limited (formerly known as GuocoLeisure Limited)	USD0.20	923,255,425	9,818,400	-	933,073,825
		-	100,000 <sup>(6)</sup>	-	100,000 <sup>(6)</sup>
The Rank Group Plc	GBP13 <sup>8/9</sup> p	219,282,221	-	-	219,282,221

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## DIRECTORS' INTERESTS (CONTINUED)

Shareholdings in which Directors have 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** or redeemable convertible cumulative preference shares***					
	Nominal value per share RM (unless indicated)	As at 01.07.2015	Acquired	Sold	As at 30.06.2016
<b>Interests of Mr Quek Kon Sean<sup>(13)</sup> in:</b>					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250
Hume Industries Berhad	1.00	810,000	-	-	810,000

### Notes:

- (1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- (2) Capital contribution in RMB
- (3) Capital contribution in USD
- (4) Capital contribution in 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 134(12)(c) of the Companies Act, 1965 in shares held by family member
- (7) Redeemable Preference Shares
- (8) The redeemable convertible cumulative preference shares ("RCCPS") are convertible into ordinary shares of RM1.00 each at the option of the holder of RCCPS on the basis of 400 ordinary shares of RM1.00 each for every RCCPS of RM1.00 nominal value
- (9) Shares acquired from rights issue
- (10) Dissolved during the financial year
- (11) Transfer of free ordinary shares of RM1.00 each in Hume Industries Berhad to the grant holders upon vesting
- (12) Share options lapsed
- (13) Resigned with effect from 9 July 2016

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the share options granted pursuant to the Executive Share Option Scheme and 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, 1965 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2016 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 30 June 2016.

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 OPTION SCHEME AND EXECUTIVE SHARE SCHEME

There are two share issuance schemes in place in the Bank, namely Executive Share Option Scheme 2006/2016 and Executive Share Scheme. Executive Share Option Scheme 2006/2016 had expired on 23 January 2016.

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

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

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

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

As at 30 June 2016, a total of 44,831,408 options had been granted under the ESOS 2006/2016, out of which 23,202,902 options had been exercised and there are no options remain outstanding. The aggregate options granted to Directors and chief executives of the HLB Group under the ESOS 2006/2016 amounted to 7,030,515, out of which 6,310,515 options had been exercised and there are no options remain outstanding.

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

As at 30 June 2016, the actual percentage of total options granted to Directors and senior management of the HLB Group under the ESOS 2006/2016 was 1.04% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank.

The ESOS 2006/2016 had expired on 23 January 2016.

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

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

#### (i) ESOS 2013/2023

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

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

The ESOS 2013/2023 would provide an opportunity for eligible executives who had contributed to the growth and development of the HLB Group to participate in the equity of the Bank.

#### (ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

The ESGS would provide the Bank with the flexibility to reward the eligible executives of the HLB Group for their contribution with awards of the Bank's shares without any consideration payable by the eligible executives.

At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS and any other executive share schemes established by the Bank which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank at any one time ("Schemes Aggregate Maximum Allocation").

There were 37,550,000 options granted at an exercise price of RM14.24 under the ESS of the Bank on 2 April 2015.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

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 ESS 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 ESS.

As at the financial year ended 30 June 2016, a total of 16,567,911 share options lapsed arising from the resignation and transfer of some option holders.

As at 30 June 2016, a total of 38,332,657 options had been granted under the ESS, out of which 21,764,746 options (adjusted following the completion of the Bank's Rights Issue) remain outstanding. The aggregate options granted to Directors and chief executives of the HLB Group under the ESS amounted to 10,067,911, out of which 2,067,911 options remain outstanding.

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

As at 30 June 2016, the actual percentage of options granted to Directors and senior management of the HLB Group under the ESS was 1.39% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank, and the actual percentage of options granted to the Directors and senior management of the HLB Group during the financial year ended 30 June 2016 was 0.03% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Bank.

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 ESOS Scheme", in addition to the Treasury Shares for share buy-back, in the Shareholders' Equity on the statements of financial position.

For further details on the ESS, refer to Note 53 to the Financial Statements on Equity Compensation Benefits.

## STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

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

- (a) Before the statements of income and statements of financial position of the Group and the Bank were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
  - (ii) to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.



# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (CONTINUED)

### (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 2016 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

### (III) As at the date of this report

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Bank which would render any amount stated in the financial statements misleading.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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.

## AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 September 2016.

**DOMENIC FUDA**

**TAN KONG KHOON**

Kuala Lumpur  
15 September 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Assets</b>					
Cash and short-term funds	3	7,473,964	6,230,283	5,657,847	4,972,372
Deposits and placements with banks and other financial institutions	4	2,057,351	3,982,119	2,151,449	4,340,892
Securities purchased under resale agreements		4,056,670	12,163,252	4,056,670	12,163,252
Financial assets held-for-trading	5	5,310,241	7,131,434	5,115,288	7,123,538
Financial investments available-for-sale	6	25,883,318	20,307,353	23,856,212	17,370,438
Financial investments held-to-maturity	7	11,771,834	9,950,081	10,005,784	8,618,741
Loans, advances and financing	8	119,458,051	112,124,109	100,059,119	95,563,493
Other assets	19	1,703,163	1,295,419	1,433,531	1,149,905
Derivative financial instruments	20	1,012,367	1,424,929	999,038	1,421,571
Amount due from subsidiaries	9	-	-	14,476	12,984
Statutory deposits with Central Banks	10	4,296,119	3,476,192	3,602,936	2,859,590
Subsidiary companies	11	-	-	1,529,760	1,358,443
Investment in joint venture	12	144,875	128,790	76,711	76,711
Investment in associated companies	13	3,177,768	2,977,776	946,525	946,525
Property and equipment	14	1,382,459	678,579	714,784	627,784
Intangible assets	15	264,766	318,107	246,784	302,801
Goodwill	56	1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets	16	3,957	-	-	-
<b>Total assets</b>		<b>189,828,215</b>	<b>184,019,735</b>	<b>162,238,461</b>	<b>160,680,587</b>
<b>Liabilities</b>					
Deposits from customers	17	148,523,914	140,276,148	126,240,777	122,337,044
Deposits and placements of banks and other financial institutions	18	6,201,230	7,096,231	5,813,633	6,133,109
Obligations on securities sold under repurchase agreements		3,494,903	3,691,338	3,494,903	3,691,338
Bills and acceptances payable		350,455	1,900,967	333,952	1,874,138
Derivative financial instruments	20	1,549,882	1,287,726	1,532,129	1,269,894
Other liabilities	21	3,915,929	3,901,119	3,535,225	3,264,006
Senior bonds	22	1,215,643	2,286,380	1,215,643	2,286,380
Tier 2 subordinated bonds	23	2,401,322	4,619,812	2,000,840	4,219,507
Non-innovative Tier 1 stapled securities	24	-	1,410,869	-	1,410,869
Innovative Tier 1 capital securities	25	521,512	530,223	521,512	530,223
Borrowings	26	384,730	-	-	-
Taxation		31,447	152,240	4,587	160,243
Deferred tax liabilities	16	120,101	77,090	114,527	75,672
<b>Total liabilities</b>		<b>168,711,068</b>	<b>167,230,143</b>	<b>144,807,728</b>	<b>147,252,423</b>
<b>Equity</b>					
Share capital	27	2,167,718	1,879,909	2,167,718	1,879,909
Reserves	28	19,684,469	15,558,271	15,998,055	12,196,843
Less: Treasury shares	29	(735,040)	(648,588)	(735,040)	(648,588)
<b>Total equity</b>		<b>21,117,147</b>	<b>16,789,592</b>	<b>17,430,733</b>	<b>13,428,164</b>
<b>Total equity and liabilities</b>		<b>189,828,215</b>	<b>184,019,735</b>	<b>162,238,461</b>	<b>160,680,587</b>
<b>Commitments and contingencies</b>	42	<b>150,080,124</b>	<b>148,927,356</b>	<b>143,994,304</b>	<b>142,453,657</b>

The accompanying notes form an integral part of the financial statements

**STATEMENTS OF INCOME**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	30	6,303,462	6,104,469	6,270,116	6,070,039
Interest expense	31	(3,648,378)	(3,363,273)	(3,673,773)	(3,381,630)
Net interest income		2,655,084	2,741,196	2,596,343	2,688,409
Income from Islamic Banking business	32	467,466	419,758	-	-
Non-interest income	33	3,122,550 1,055,312	3,160,954 905,994	2,596,343 1,292,459	2,688,409 1,095,896
Net income		4,177,862	4,066,948	3,888,802	3,784,305
Overhead expenses	34	(2,086,800)	(1,813,859)	(1,835,714)	(1,582,281)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	35	2,091,062 (52,606)	2,253,089 51,929	2,053,088 (38,063)	2,202,024 53,705
Write back of impairment losses on financial investments		9,838	23,462	9,838	23,462
Share of results of associated company	13	2,048,294 312,178	2,328,480 401,277	2,024,863 -	2,279,191 -
Share of results of joint venture	12	21,227	16,401	-	-
<b>Profit before taxation</b>		<b>2,381,699</b>	<b>2,746,158</b>	<b>2,024,863</b>	<b>2,279,191</b>
Taxation	38	(478,282)	(512,971)	(420,269)	(503,228)
<b>Net profit for the financial year</b>		<b>1,903,417</b>	<b>2,233,187</b>	<b>1,604,594</b>	<b>1,775,963</b>
<b>Attributable to:</b>					
Owners of the parent		1,903,417	2,233,187	1,604,594	1,775,963
<b>Earnings per share for profit attributable to owners of the parent (sen):</b>					
- basic	39	99.8	126.4	84.1	100.5
- diluted	39	99.8	126.4	84.1	100.5

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Net profit for the financial year</b>		<b>1,903,417</b>	2,233,187	<b>1,604,594</b>	1,775,963
<b>Other comprehensive income:</b>					
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associated company		4,525	13,310	-	-
Currency translation differences		170,499	690,061	158,739	1,901
Net fair value changes on financial investments available-for-sale	41	135,027	11,873	122,407	6,888
Net fair value changes in cash flow hedge	41	(2,477)	216	(2,477)	216
Income tax relating to components of other comprehensive income	41	(28,611)	(3,706)	(25,869)	(1,775)
Other comprehensive income for the financial year, net of tax		278,963	711,754	252,800	7,230
<b>Total comprehensive income for the financial year</b>		<b>2,182,380</b>	2,944,941	<b>1,857,394</b>	1,783,193
<b>Attributable to:</b>					
Owners of the parent		2,182,380	2,944,941	1,857,394	1,783,193

The accompanying notes form an integral part of the financial statements



# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Attributable to owners of the parent												
The Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Share options reserve RM'000	Regulatory reserves** RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2015		1,879,909	2,872,183	(648,588)	3,575,114	207,975	162	-	399,357	683,966	7,819,514	16,789,592
<b>Comprehensive income</b>												
Net profit for the financial year		-	-	-	-	-	-	-	-	-	1,903,417	1,903,417
Share of other comprehensive income of associates		-	-	-	-	4,525	-	-	-	-	-	4,525
Net fair value changes in financial investments available-for-sale	41	-	-	-	-	105,819	-	-	-	-	-	105,819
Net fair value changes in cash flow hedge	41	-	-	-	-	-	(1,880)	-	-	-	-	(1,880)
Currency translation differences		-	-	-	-	-	-	-	-	170,499	-	170,499
<b>Total comprehensive income/(loss)</b>		-	-	-	-	110,344	(1,880)	-	-	170,499	1,903,417	2,182,380
<b>Transactions with owners</b>												
Transfer to statutory reserve		-	-	-	345,602	-	-	-	-	-	(345,602)	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	199,415	-	(199,415)	-
Purchase of treasury shares	29	-	-	(26,517)	-	-	-	-	-	-	-	(26,517)
Dividends paid:												
- final dividend for the financial year ended 30 June 2015	40	-	-	-	-	-	-	-	-	-	(458,731)	(458,731)
- interim dividend for the financial year ended 30 June 2016	40	-	-	-	-	-	-	-	-	-	(306,818)	(306,818)
Rights issue		287,809	2,699,162	(59,935)	-	-	-	-	-	-	-	2,927,036
Option charge arising from ESOS granted		-	-	-	-	-	-	10,205	-	-	-	10,205
<b>Total transactions with owners</b>		287,809	2,699,162	(86,452)	345,602	-	-	10,205	199,415	-	(1,310,566)	2,145,175
At 30 June 2016		2,167,718	5,571,345	(735,040)	3,920,716	318,319	(1,718)	10,205	598,772	854,465	8,412,365	21,117,147

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

\*\* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM587,527,000 (30 June 2015: RM388,112,000) 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 2015: RM11,245,000)

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Attributable to owners of the parent												
The Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Share options reserve RM'000	Regulatory reserve** RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2014		1,879,909	2,832,383	(645,579)	3,081,128	186,444	-	2,618	10,266	(6,095)	7,189,104	14,530,178
<b>Comprehensive income</b>												
Net profit for the financial year		-	-	-	-	-	-	-	-	-	2,233,187	2,233,187
Share of other comprehensive income of associates		-	-	-	-	13,310	-	-	-	-	-	13,310
Net fair value changes in financial investments available-for-sale	41	-	-	-	-	8,221	-	-	-	-	-	8,221
Net fair value changes in cash flow hedge	41	-	-	-	-	-	162	-	-	-	-	162
Currency translation differences		-	-	-	-	-	-	-	-	690,061	-	690,061
<b>Total comprehensive income</b>		-	-	-	-	21,531	162	-	-	690,061	2,233,187	2,944,941
<b>Transactions with owners</b>												
Transfer to statutory reserve		-	-	-	493,986	-	-	-	-	-	(493,986)	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	389,091	-	(389,091)	-
Purchase of treasury shares	29	-	-	(35,164)	-	-	-	-	-	-	-	(35,164)
Sale of treasury shares	29	-	39,800	26,821	-	-	-	-	-	-	-	66,621
Dividends paid:												
- final dividend for the financial year ended 30 June 2014	40	-	-	-	-	-	-	-	-	-	(459,573)	(459,573)
- interim dividend for the financial year ended 30 June 2015	40	-	-	-	-	-	-	-	-	-	(265,197)	(265,197)
ESOS exercised		-	-	5,334	-	-	-	(2,618)	-	-	5,070	7,786
<b>Total transactions with owners</b>		-	39,800	(3,009)	493,986	-	-	(2,618)	389,091	-	(1,602,777)	(685,527)
At 30 June 2015		1,879,909	2,872,183	(648,588)	3,575,114	207,975	162	-	399,357	683,966	7,819,514	16,789,592

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

\*\* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM388,112,000 (30 June 2014: RM Nil) 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 2014: RM10,266,000)

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The Bank	Note	Non-distributable								Distributable		
		Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Share options reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 July 2015		1,879,909	2,872,183	(648,588)	3,084,249	214,109	162	-	334,138	38,798	5,653,204	13,428,164
<b>Comprehensive income</b>												
Net profit for the financial year		-	-	-	-	-	-	-	-	-	1,604,594	1,604,594
Net fair value changes in financial investments available-for-sale	41	-	-	-	-	95,941	-	-	-	-	-	95,941
Net fair value changes in cash flow hedge	41	-	-	-	-	-	(1,880)	-	-	-	-	(1,880)
Currency translation differences		-	-	-	-	-	-	-	158,739	-	-	158,739
Total comprehensive income/(loss)		-	-	-	-	95,941	(1,880)	-	-	158,739	1,604,594	1,857,394
<b>Transactions with owners</b>												
Transfer to statutory reserve		-	-	-	296,355	-	-	-	-	-	(296,355)	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	160,870	-	(160,870)	-
Purchase of treasury shares	29	-	-	(26,517)	-	-	-	-	-	-	-	(26,517)
Dividends paid:												
- final dividend for the financial year ended 30 June 2015	40	-	-	-	-	-	-	-	-	-	(458,731)	(458,731)
- interim dividend for the financial year ended 30 June 2016	40	-	-	-	-	-	-	-	-	-	(306,818)	(306,818)
Rights issue		287,809	2,699,162	(59,935)	-	-	-	-	-	-	-	2,927,036
Option charge arising from ESOS granted		-	-	-	-	-	-	10,205	-	-	-	10,205
Total transactions with owners		287,809	2,699,162	(86,452)	296,355	-	-	10,205	160,870	-	(1,222,774)	2,145,175
At 30 June 2016		2,167,718	5,571,345	(735,040)	3,380,604	310,050	(1,718)	10,205	495,008	197,537	6,035,024	17,430,733

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The Bank	Note	Non-distributable							Distributable			
		Share capital RM'000	Share premium RM'000	Treasury shares* RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Share options reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 July 2014		1,879,909	2,832,383	(645,579)	2,640,258	208,942	-	2,618	-	36,897	5,375,070	12,330,498
<b>Comprehensive income</b>												
Net profit for the financial year		-	-	-	-	-	-	-	-	-	1,775,963	1,775,963
Net fair value changes in financial investments available-for-sale	41	-	-	-	-	5,167	-	-	-	-	-	5,167
Net fair value changes in cash flow hedge	41	-	-	-	-	-	162	-	-	-	-	162
Currency translation differences		-	-	-	-	-	-	-	1,901	-	-	1,901
<b>Total comprehensive income</b>		-	-	-	-	5,167	162	-	-	1,901	1,775,963	1,783,193
<b>Transactions with owners</b>												
Transfer to statutory reserve		-	-	-	443,991	-	-	-	-	-	(443,991)	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	334,138	-	(334,138)	-
Purchase of treasury shares	29	-	-	(35,164)	-	-	-	-	-	-	-	(35,164)
Sale of treasury shares	29	-	39,800	26,821	-	-	-	-	-	-	-	66,621
Dividends paid:												
- final dividend for the financial year ended 30 June 2014	40	-	-	-	-	-	-	-	-	-	(459,573)	(459,573)
- interim dividend for the financial year ended 30 June 2015	40	-	-	-	-	-	-	-	-	-	(265,197)	(265,197)
ESOS exercised		-	-	5,334	-	-	(2,618)	-	-	-	5,070	7,786
<b>Total transactions with owners</b>		-	39,800	(3,009)	443,991	-	-	(2,618)	334,138	-	(1,497,829)	(685,527)
At 30 June 2015		1,879,909	2,872,183	(648,588)	3,084,249	214,109	162	-	334,138	38,798	5,653,204	13,428,164

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

**STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	<b>2,381,699</b>	2,746,158	<b>2,024,863</b>	2,279,191
Adjustments for:				
Depreciation of property and equipment	<b>83,512</b>	70,819	<b>77,617</b>	66,691
Amortisation of intangible assets	<b>72,838</b>	69,487	<b>69,148</b>	66,693
Net gain on disposal of property and equipment	<b>(995)</b>	(49,694)	<b>(996)</b>	(49,695)
Share of associated company's results	<b>(312,178)</b>	(401,277)	-	-
Share of joint venture's results	<b>(21,227)</b>	(16,401)	-	-
Property and equipment written off	<b>61</b>	63	<b>16</b>	18
Intangible assets written off	<b>3,387</b>	2,875	<b>3,387</b>	2,865
Gain from sale/redemption of security portfolio:				
- financial investments held-to-maturity	<b>(31)</b>	(350)	<b>(31)</b>	(350)
- financial investments available-for-sale	<b>(90,339)</b>	(111,345)	<b>(90,339)</b>	(101,692)
- financial assets held-for-trading and derivatives	<b>(36,372)</b>	(29,928)	<b>(36,372)</b>	(29,928)
Allowances for impairment losses on loans, advances and financing	<b>259,210</b>	163,638	<b>226,669</b>	147,433
Impaired loans and financing written off	<b>22,054</b>	45,617	<b>17,482</b>	35,290
Net unrealised loss on revaluation of securities held at fair value through profit or loss and derivatives	<b>59,386</b>	38,815	<b>59,386</b>	38,815
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	<b>519</b>	3,279	<b>519</b>	2,886
Unrealised loss on foreign exchange	<b>179,550</b>	345,000	<b>179,550</b>	345,000
Write back of impairment losses on financial investments	<b>(9,838)</b>	(23,462)	<b>(9,838)</b>	(23,462)
Interest expense on subordinated obligations	<b>220,709</b>	276,399	<b>220,713</b>	276,392
Interest expense on non-innovative Tier 1 stapled securities	<b>60,024</b>	71,317	<b>60,024</b>	71,317
Interest expense on innovative Tier 1 capital securities	<b>32,652</b>	30,516	<b>32,652</b>	30,516
Interest income from:				
- financial investments available-for-sale	<b>(502,737)</b>	(418,380)	<b>(497,932)</b>	(395,205)
- financial investments held-to-maturity	<b>(311,041)</b>	(262,819)	<b>(323,699)</b>	(272,830)
Dividend income from:				
- financial investments available-for-sale	<b>(200,769)</b>	(119,491)	<b>(200,769)</b>	(119,491)
- associated company	-	-	<b>(134,143)</b>	(91,669)
- joint venture	-	-	<b>(5,145)</b>	-
- subsidiary companies	-	-	<b>(103,940)</b>	(110,093)
Share option expenses	<b>10,205</b>	-	<b>10,205</b>	-
Operating profit before working capital changes	<b>1,900,279</b>	2,430,836	<b>1,579,027</b>	2,168,692



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>(Increase)/Decrease in operating assets</b>				
Deposits and placements with banks and other financial institutions	1,924,768	58,157	2,189,443	(319,909)
Securities purchased under resale agreements	8,106,582	(9,446,231)	8,106,582	(9,446,231)
Financial assets held-for-trading	1,862,442	4,212,426	2,049,499	3,038,680
Loans, advances and financing	(7,615,725)	(9,757,567)	(4,740,296)	(7,875,653)
Derivative financial instruments	298,601	(852,143)	319,736	(857,267)
Other assets	(407,444)	(798,182)	(286,159)	(721,647)
Amount due from subsidiaries	-	-	(1,492)	(1,547)
Statutory deposits with Central Banks	(819,927)	(325,550)	(743,346)	(268,090)
<b>Increase/(Decrease) in operating liabilities</b>				
Deposits from customers	8,270,096	10,094,983	3,919,255	8,302,004
Deposits and placements of banks and other financial institutions	(895,001)	(15,064)	(319,476)	745,725
Securities sold under repurchase agreements	(196,435)	(425,550)	(196,435)	(425,550)
Bills and acceptances payable	(1,550,512)	1,542,235	(1,540,186)	1,546,239
Derivative financial instruments	287,263	502,739	282,986	513,659
Other liabilities	(65,612)	(363,756)	262,479	(32,642)
Cash flows generated from/(used in) operations	11,099,375	(3,142,667)	10,881,617	(3,633,537)
Taxation paid	(585,060)	(470,131)	(526,843)	(404,410)
<b>Net cash generated from/(used in) operating activities</b>	<b>10,514,315</b>	<b>(3,612,798)</b>	<b>10,354,774</b>	<b>(4,037,947)</b>

**STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cash flows from investing activities</b>					
Dividends from subsidiary companies		-	-	103,940	110,093
Net purchases of financial investments available-for-sale		(4,847,580)	(3,080,563)	(5,774,814)	(3,126,293)
Net purchases of financial investments held-to-maturity		(1,501,125)	(754,885)	(1,053,757)	(501,812)
Purchase of property and equipment		(340,157)	(191,524)	(165,400)	(166,102)
Net proceeds from sale of property and equipment		2,224	219,089	2,222	219,088
Purchase of intangible assets		(17,919)	(41,305)	(16,518)	(37,040)
Investment in subsidiary company		-	-	(168,784)	-
Dividends received on financial investments available-for-sale		200,769	119,491	200,769	119,491
Dividend from associated company		97,888	66,894	97,888	66,894
Dividend from joint venture		3,755	-	3,755	-
<b>Net cash used in investing activities</b>		<b>(6,402,145)</b>	<b>(3,662,803)</b>	<b>(6,770,699)</b>	<b>(3,315,681)</b>
<b>Cash flows from financing activities</b>					
Dividends paid		(765,549)	(724,770)	(765,549)	(724,770)
Net proceeds from issuance of rights issue		2,927,036	-	2,927,036	-
Purchase of treasury shares		(26,517)	(35,164)	(26,517)	(35,164)
Sale of treasury shares		-	66,621	-	66,621
Cash received from ESOS exercised		-	7,786	-	7,786
Repayment of USD 300.0 million senior bonds		(1,241,100)	-	(1,241,100)	-
Repayment of Tier 2 subordinated loan		(2,200,000)	(250,000)	(2,200,000)	(250,000)
Repayment of non-innovative Tier 1 stapled securities		(1,400,000)	-	(1,400,000)	-
Interest paid on subordinated obligations		(248,533)	(269,410)	(248,714)	(269,630)
Interest paid on non-innovative Tier 1 stapled securities		(70,893)	(70,700)	(70,893)	(70,700)
Interest paid on innovative Tier 1 capital securities		(31,143)	(29,137)	(31,143)	(29,137)
<b>Net cash used in financing activities</b>		<b>(3,056,699)</b>	<b>(1,304,774)</b>	<b>(3,056,880)</b>	<b>(1,304,994)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,055,471</b>	<b>(8,580,375)</b>	<b>527,195</b>	<b>(8,658,622)</b>
<b>Effects of exchange rate changes</b>		<b>188,210</b>	<b>97,869</b>	<b>158,280</b>	<b>1,219</b>
<b>Cash and cash equivalents at the beginning of financial year</b>		<b>6,230,283</b>	<b>14,712,789</b>	<b>4,972,372</b>	<b>13,629,775</b>
<b>Cash and cash equivalents at the end of financial year</b>	3	<b>7,473,964</b>	<b>6,230,283</b>	<b>5,657,847</b>	<b>4,972,372</b>

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

## 1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

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

There are no new accounting standards, amendments to published standards and interpretations that are effective for the first time for the financial year beginning on 1 July 2015.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016. The Group and the Bank will apply these standards, amendments to published standards and interpretations from:

#### (i) Financial year beginning on/after 1 July 2016

- \* Amendment to MFRS 11 'Joint Arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combinations' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of an additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- \* Amendments to MFRS 116 'Property, Plant and Equipment' and MFRS 138 'Intangible Assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible asset is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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 but not yet effective (continued)

#### (i) Financial year beginning on/after 1 July 2016 (continued)

- \* The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### (ii) Financial year beginning on/after 1 July 2017

- \* Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- \* Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

#### (iii) Financial year beginning on/after 1 July 2018

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

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of income, unless this creates an accounting mismatch.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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 but not yet effective (continued)

#### (iii) Financial year beginning on/after 1 July 2018 (continued)

- \* MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018 ) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

#### (iv) Financial year beginning on/after 1 July 2019

- \* MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

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

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

The Group and the Bank are in the midst of reviewing the requirements of MFRS 9 as it introduces significant changes in the way the Group and the Bank account for financial instruments. Due to the complexity of this standard and its proposed changes, the financial effects of its adoption are still being assessed by the Group and the Bank.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A Consolidation (continued)

#### (i) Subsidiaries (continued)

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in the statements of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquirer only incorporates the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous financial year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A Consolidation (continued)

#### (i) Subsidiaries (continued)

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

#### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) Disposal of subsidiaries

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains and losses of the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

#### (iv) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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 profit/(loss) of an associate' 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.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

#### (vi) Loss of significant influence or joint control

When the Group ceases to have joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statements of income. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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.

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

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

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

### C Recognition of fees and other income

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

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

Dividends from financial assets held at fair value through profit or loss, financial investments available-for-sale and subsidiary companies are recognised when the right to receive payment is established.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C Recognition of fees and other income (continued)

Net profit from financial assets held at fair value through profit or loss and financial investment available-for-sale are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

### D Financial assets

#### (i) Classification

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

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

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

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

#### (b) Loans and receivables

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

#### (c) Financial investments held-to-maturity

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

#### (d) Financial investments available-for-sale

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

#### (ii) Recognition and initial measurement

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D Financial assets (continued)

#### (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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statements of income.

#### (i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

The Group and the Bank have also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities of different basis.

#### (ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

### F Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of income during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter	
Buildings on freehold land		2%
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter	
Office furniture, fittings, equipment and renovations and computer equipment		10% – 33%
Motor vehicles		25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F Property and equipment and depreciation (continued)

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

### G Intangible assets

#### (i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years to 8 years.

#### (ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

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 deposits: 7 years

Customer relationships: 10 years

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H Leases

#### (i) Finance lease

Assets purchased under lease which in substance transfers the risks and rewards of ownership of the assets to the Group or the Bank are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to statements of income.

#### (ii) Operating lease

Leases of assets under which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of income on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### I Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statements of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount of non-financial assets (other than goodwill) is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### J Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current income tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J Current and deferred income taxes (continued)

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.

Deferred income tax related to fair value re-measurement of financial instruments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statements of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### K Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits immediately.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Bank document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

#### (i) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

#### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the financial periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold or transferred, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statements of income.

#### (iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Gains and losses accumulated in the equity are reclassified to the statements of income when the foreign operation is partially disposed or sold.

#### (iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L Currency translations

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

#### (ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statements of income, and other changes in the carrying amount are recognised in other comprehensive income.

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 on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the financial instruments fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in other comprehensive income.

#### (iii) Group companies

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

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statements of income as part of the gain or loss on sale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L Currency translations (continued)

#### (iii) Group companies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### M Employee benefits

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

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits 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.

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M Employee benefits (continued)

#### (iii) Share-based compensation

The Bank operates an equity-settled, share-based compensation plan for the employees of the Bank under which the Bank receives services from employees as consideration for equity instruments (options) of the Bank. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statements of financial position date, the Bank revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the statements of income, with a corresponding adjustment to share options reserve in equity.

A trust has been set up for the Executive Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust.

In accordance with MFRS 132 "Financial Instruments: Presentation", the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the statements of income when incurred in accordance with accounting standards.

When 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 (nominal value) and share premium.

When options are not exercised and lapsed, the share options reserve is transferred to retained earnings.

### N Impairment of financial assets

#### (i) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N Impairment of financial assets (continued)

#### (i) Assets carried at amortised cost (continued)

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.

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. The issuance of this revised policy document has superseded two guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired in BNM's Central Credit Reference Information System ("CCRIS") when the loan/financing is classified as rescheduled and restructured ("R&R") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### N Impairment of financial assets (continued)

#### (i) Assets carried at amortised cost (continued)

The requirements in this revised Policy Document are effective on 1 January 2015, except for the following:

- (i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System (“CCRIS”) will be effective on or after 1 April 2015; and
- (ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

The Group and the Bank have complied to the requirements to classify rescheduled and restructured loans/financing as impaired in CCRIS. The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM’s Capital Adequacy Framework (Capital Components).

#### (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.

### 0 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

### Q Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees and the amount determined in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the statements of income.

### R Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sell.

### S Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

### T Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- (i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### T Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### U Cash and cash equivalents

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

### 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 Non-current assets/disposal groups held-for-sale

Non-current assets/disposal groups are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset/disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset/disposal groups, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset/disposal groups is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### X Non-current assets/disposal groups held-for-sale (continued)

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the statements of financial position. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statements of income.

### Y Share capital

#### (i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

#### (ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (iii) Dividends

Distributions to shareholders are recognised directly in equity. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### (iv) Purchase of own shares

The Bank has repurchased its shares and designated as treasury shares in accordance with MFRS 132 "Financial Instruments: Presentation". Treasury shares consist of those own shares purchased pursuant to Section 67A of the Companies Act, 1965 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 external costs, net of tax, is included in equity attributable to the Bank's equity holders as treasury shares until they are cancelled, reissued or disposed 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 and share premium.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Z Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### AA Sale and repurchase agreements

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

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

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

## 3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and balances with banks and other financial institutions	1,610,726	1,875,416	1,465,516	1,775,389
Money at call and deposit placements maturing within one month	5,863,238	4,354,867	4,192,331	3,196,983
	<b>7,473,964</b>	6,230,283	<b>5,657,847</b>	4,972,372

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks	1,511,457	3,013,217	1,605,555	3,373,883
Licensed investment banks	-	100,009	-	100,009
Bank Negara Malaysia ("BNM")	-	1,893	-	-
Other financial institutions	545,894	867,000	545,894	867,000
	<b>2,057,351</b>	<b>3,982,119</b>	<b>2,151,449</b>	<b>4,340,892</b>

### 5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Money market instruments</b>				
Bank Negara Malaysia bills	-	383,325	-	383,325
Government treasury bills	119,332	78,632	119,332	78,632
Malaysian Government securities	103,737	67,769	103,737	67,769
Malaysian Government investment certificates	320,952	609,725	175,880	233,383
Bankers' acceptances and Islamic accepted bills	-	30,404	-	30,404
Negotiable instruments of deposits	3,836,858	5,328,784	3,786,977	5,697,230
Cagamas bonds	55,474	35,446	55,474	35,446
	<b>4,436,353</b>	<b>6,534,085</b>	<b>4,241,400</b>	<b>6,526,189</b>
<b>Quoted securities</b>				
Shares outside Malaysia	1,804	3,394	1,804	3,394
Foreign currency bonds in Malaysia	488,718	375,822	488,718	375,822
	<b>4,926,875</b>	<b>6,913,301</b>	<b>4,731,922</b>	<b>6,905,405</b>
<b>Unquoted securities</b>				
Corporate bonds and sukuk	330,365	218,133	330,365	218,133
Foreign currency bonds in Malaysia	53,001	-	53,001	-
	<b>5,310,241</b>	<b>7,131,434</b>	<b>5,115,288</b>	<b>7,123,538</b>

Included in the financial assets held-for-trading are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM7,929,000 (2015: RM Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Money market instruments</b>				
Government treasury bills	69,206	168,553	69,206	168,553
Malaysian Government securities	359,838	10,684	359,838	10,684
Malaysian Government investment certificates	3,516,462	3,461,207	2,589,817	1,836,986
Other Government securities	74,297	277,911	-	-
Cagamas bonds	1,004,303	886,276	792,060	704,900
Khazanah bonds	334,686	345,140	334,686	345,140
	<b>5,358,792</b>	<b>5,149,771</b>	<b>4,145,607</b>	<b>3,066,263</b>
<b>Quoted securities</b>				
Shares in Malaysia	2,987	16,646	1,871	16,646
Shares outside Malaysia	26	25	26	25
Wholesale fund	6,532,411	3,206,328	6,532,411	3,206,328
Foreign currency bonds in Malaysia	3,606,238	4,380,452	3,513,465	4,220,916
Foreign currency bonds outside Malaysia	1,954,369	1,452,826	1,954,369	1,452,826
	<b>17,454,823</b>	<b>14,206,048</b>	<b>16,147,749</b>	<b>11,963,004</b>
<b>Unquoted securities</b>				
Malaysian Government sukuk	820,552	-	789,745	-
Corporate bonds and sukuk	6,063,544	5,452,867	5,373,203	4,758,996
Shares in Malaysia	425,006	392,833	425,006	392,833
Shares outside Malaysia	4,402	4,134	4,402	4,134
Foreign currency bonds in Malaysia	1,125,156	259,070	1,125,156	259,070
	<b>25,893,483</b>	<b>20,314,952</b>	<b>23,865,261</b>	<b>17,378,037</b>
Allowance for impairment losses	(10,165)	(7,599)	(9,049)	(7,599)
	<b>25,883,318</b>	<b>20,307,353</b>	<b>23,856,212</b>	<b>17,370,438</b>

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 July	7,599	7,543	7,599	7,543
Amount written back in respect of recoveries	-	(5,218)	-	(5,218)
Amount transferred from individual assessment impairment allowance of loans, advances and financing	2,566	5,274	1,450	5,274
At 30 June	<b>10,165</b>	<b>7,599</b>	<b>9,049</b>	<b>7,599</b>

Included in the financial investments available-for-sale are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,950,947,000 (2015: RM1,073,047,000).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Money market instruments</b>				
Government treasury bills	54,922	-	54,922	-
Malaysian Government securities	3,322,664	2,952,499	3,322,664	2,952,499
Malaysian Government investment certificates	7,465,559	6,529,307	5,315,317	4,965,307
Cagamas bonds	30,356	30,454	20,128	20,127
Negotiable instruments of deposits	-	2,338	501,951	501,817
Other Government securities	395,513	335,159	298,163	124,456
	<b>11,269,014</b>	<b>9,849,757</b>	<b>9,513,145</b>	<b>8,564,206</b>
<b>Unquoted securities in Malaysia</b>				
Loan stocks	5,923	6,404	5,923	6,404
Malaysian Government sukuk	470,220	-	460,039	-
Corporate bonds and sukuk	111,090	166,237	111,090	120,448
Redeemable preference shares	32,066	54,000	32,066	54,000
	<b>11,888,313</b>	<b>10,076,398</b>	<b>10,122,263</b>	<b>8,745,058</b>
Allowance for impairment losses	(116,479)	(126,317)	(116,479)	(126,317)
	<b>11,771,834</b>	<b>9,950,081</b>	<b>10,005,784</b>	<b>8,618,741</b>

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	
	2016 RM'000	2015 RM'000
At 1 July	126,317	140,985
Amount written back in respect of recoveries	(9,838)	(14,668)
At 30 June	<b>116,479</b>	<b>126,317</b>

Included in the financial investments held-to-maturity are Malaysian Government securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,304,265,000 (2015: RM2,313,740,000). The fair value of the Malaysian Government securities as at 30 June 2016 is RM1,306,625,000 (2015: RM2,315,336,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Overdrafts	3,857,485	4,005,025	3,550,226	3,787,272
Term loans/financing:				
- Housing and shop loans/financing	60,462,347	53,828,770	50,023,207	45,074,437
- Syndicated/term loans or financing	9,339,212	9,038,647	7,814,485	7,944,110
- Hire purchase receivables	18,682,098	18,099,246	15,163,055	14,631,741
- Other term loans/financing	8,232,653	8,676,463	6,406,492	7,151,025
Credit/charge card receivables	3,755,348	3,889,314	3,755,348	3,889,314
Bills receivable	1,107,690	1,166,833	1,083,449	1,155,997
Trust receipts	381,531	322,780	308,869	251,752
Claims on customers under acceptance credits	7,439,144	7,369,680	6,962,934	7,051,254
Block discounting	-	14	-	14
Revolving credit	6,757,003	6,549,079	5,406,314	5,301,689
Staff loans/financing	164,843	167,479	153,926	154,767
Other loans/financing	425,282	304,960	425,276	297,986
Gross loans, advances and financing	120,604,636	113,418,290	101,053,581	96,691,358
Unamortised fair value changes arising from terminated fair value hedges	(784)	(2,188)	26	547
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(856,057)	(969,033)	(714,272)	(822,488)
- Individual assessment allowance	(289,744)	(322,960)	(280,216)	(305,924)
	(1,145,801)	(1,291,993)	(994,488)	(1,128,412)
Total net loans, advances and financing	119,458,051	112,124,109	100,059,119	95,563,493

Fair value hedges previously undertaken on the interest rate risk of loans, advances and financing are now terminated.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Maturing within:				
- one year	26,924,890	26,333,378	24,539,703	24,248,429
- one year to three years	5,370,116	6,246,939	4,373,344	5,138,963
- three years to five years	10,710,736	9,924,271	8,859,782	8,508,374
- over five years	77,598,894	70,913,702	63,280,752	58,795,592
Gross loans, advances and financing	120,604,636	113,418,290	101,053,581	96,691,358

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Domestic financial institutions	47	-	47	-
Domestic non-bank financial institutions other than stockbroking companies	600,249	638,549	85,824	88,620
Domestic business enterprises:				
- small and medium enterprises	19,226,349	17,771,812	16,898,660	16,036,000
- others	16,882,388	18,372,803	14,205,786	15,997,698
Government and statutory bodies	24,804	24,448	13,029	12,473
Individuals	76,927,972	70,958,690	63,228,460	59,198,892
Other domestic entities	75,714	171,386	37,900	144,676
Foreign entities	6,867,113	5,480,602	6,583,875	5,212,999
Gross loans, advances and financing	120,604,636	113,418,290	101,053,581	96,691,358



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate:				
- Housing and shop loans/financing	2,604,333	2,738,194	1,534,310	1,658,497
- Hire purchase receivables	18,200,640	17,779,388	14,681,597	14,311,882
- Credit card	3,755,348	3,889,314	3,755,348	3,889,314
- Other fixed rate loan/financing	3,713,237	3,247,579	2,491,774	2,480,602
Variable rate:				
- Base rate/base lending rate plus	75,993,221	69,749,552	64,400,280	60,182,464
- Cost plus	15,950,281	15,694,860	14,190,272	14,168,599
- Other variable rates	387,576	319,403	-	-
Gross loans, advances and financing	120,604,636	113,418,290	101,053,581	96,691,358

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of securities	517,518	704,762	511,065	694,801
Purchase of transport vehicles	18,445,557	18,020,496	14,875,758	14,509,560
Residential property (housing)	51,509,733	45,306,604	42,100,556	37,505,118
Non-residential property	14,986,782	14,231,669	13,479,691	12,892,318
Purchase of fixed assets (excluding landed properties)	434,041	462,979	387,990	421,120
Personal use	3,766,429	3,523,573	3,031,505	2,945,941
Credit card	3,755,348	3,889,314	3,755,348	3,889,314
Purchase of consumer durables	387	418	387	418
Construction	1,386,003	1,257,882	1,157,355	1,049,262
Mergers and acquisition	233,364	258,988	233,364	258,988
Working capital	23,495,814	23,432,987	19,718,753	20,396,334
Other purpose	2,073,660	2,328,618	1,801,809	2,128,184
Gross loans, advances and financing	120,604,636	113,418,290	101,053,581	96,691,358

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
In Malaysia	114,977,964	109,283,009	96,340,452	93,141,474
Outside Malaysia:				
- Singapore	4,678,961	3,529,821	4,678,961	3,529,821
- Hong Kong	34,168	20,063	34,168	20,063
- Vietnam	387,576	319,403	-	-
- Cambodia	525,967	265,994	-	-
Gross loans, advances and financing	120,604,636	113,418,290	101,053,581	96,691,358

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of securities	225	235	225	235
Purchase of transport vehicles	145,428	184,069	112,704	144,718
Residential property (housing)	233,092	207,232	164,739	148,743
Non-residential property	99,145	46,190	96,437	43,695
Purchase of fixed assets (excluding landed properties)	22,872	34,188	21,623	32,943
Personal use	36,909	34,714	31,877	30,000
Credit card	44,308	42,907	44,308	42,907
Purchase of consumer durables	-	4	-	4
Construction	9,138	4,114	7,131	2,082
Working capital	346,555	365,444	338,767	348,978
Other purpose	18,907	28,863	18,757	28,495
Gross impaired loans, advances and financing	956,579	947,960	836,568	822,800

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 July	947,960	1,231,735	822,800	1,025,115
Impaired during the financial year	1,572,186	1,525,359	1,322,139	1,275,080
Performing during the financial year	(798,443)	(792,443)	(638,653)	(637,758)
Amount written back in respect of recoveries	(338,843)	(480,590)	(289,007)	(403,171)
Amount written off	(426,479)	(541,798)	(380,388)	(436,696)
Exchange difference	198	5,697	(323)	230
At 30 June	956,579	947,960	836,568	822,800
Gross impaired loans as a % of gross loans, advances and financing	0.8%	0.8%	0.8%	0.9%

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
In Malaysia	942,633	935,235	830,967	822,800
Outside Malaysia:				
- Singapore	5,601	-	5,601	-
- Vietnam	8,345	12,725	-	-
Gross impaired loans, advances and financing	956,579	947,960	836,568	822,800

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(ix) Movements in the allowance for impaired loans, advances and financing are as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Collective assessment allowance</b>				
At 1 July	969,033	1,076,604	822,488	922,286
Net allowances made during the financial year	263,656	213,457	227,755	189,171
Amount transferred to individual assessment	(109)	(94)	(109)	(94)
Amount written off	(365,615)	(310,003)	(326,899)	(279,587)
Unwinding income	(11,465)	(12,129)	(9,389)	(9,802)
Exchange difference	557	1,198	426	514
At 30 June	856,057	969,033	714,272	822,488
<b>Individual assessment allowance</b>				
At 1 July	322,960	511,453	305,924	433,037
Allowances made during the financial year	57,180	80,769	55,552	63,314
Amount transferred from collective assessment	109	94	109	94
Amount transferred to allowance for impairment losses on securities	(2,566)	(5,274)	(1,450)	(5,274)
Amount written back in respect of recoveries	(61,626)	(130,588)	(56,638)	(105,052)
Amount written off	(22,004)	(132,862)	(19,037)	(75,368)
Unwinding income	(4,404)	(5,360)	(4,203)	(5,057)
Exchange difference	95	4,728	(41)	230
At 30 June	289,744	322,960	280,216	305,924

## 9 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2016 RM'000	2015 RM'000
Intercompany settlement	14,476	12,984

Amount due from subsidiaries is unsecured, interest free, repayable on demand and is denominated in Ringgit Malaysia.

## 10 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 11 SUBSIDIARY COMPANIES

	The Bank	
	2016 RM'000	2015 RM'000
<u>Investment in subsidiary companies</u>		
Unquoted shares, at cost:		
- in Malaysia	873,124	704,340
- outside Malaysia	615,383	615,383
	<b>1,488,507</b>	1,319,723
<u>Subordinated facilities issued by subsidiary company</u>		
Subordinated financing facility issued by Hong Leong Bank (Cambodia) PLC	41,253	38,720
	<b>1,529,760</b>	1,358,443

The subsidiary companies of the Bank are as follows:

Name	Percentage (%) of equity held		Principal activities
	2016	2015	
(a) Hong Leong Islamic Bank Berhad	100	100	Islamic Banking business and related financial services
(b) HLB Principal Investments (L) Limited and its subsidiary company:	100	100	Investment holding
- Promino Sdn Bhd	100	100	Ceased operations
(c) EB Nominees (Tempatan) Sendirian Berhad	100	100	Nominees services
(d) EB Nominees (Asing) Sendirian Berhad	100	100	Nominees services
(e) EB Realty Sendirian Berhad	100	100	Property investment
(f) OBB Realty Sdn Bhd	100	100	Property investment
(g) HLF Credit (Perak) Bhd and its subsidiary companies:	100	100	Investment holding
(i) Gensource Sdn Bhd and its subsidiary company:	100	100	Investment holding
- Pelita Terang Sdn Bhd	100	100	Dormant
(ii) WTB Corporation Sdn Bhd and its subsidiary companies:	100	100	Investment holding
- Wah Tat Nominees (Tempatan) Sdn Bhd	100	100	In member's voluntary liquidation
- Wah Tat Nominees (Asing) Sdn Bhd	100	100	In member's voluntary liquidation
(iii) Chew Geok Lin Finance Sdn Bhd	100	100	Investment holding
(iv) Hong Leong Leasing Sdn Bhd*	100	100	Investment holding
(v) HL Leasing Sdn Bhd	100	100	Investment holding
(vi) HLB Realty Sdn Bhd	100	100	Real property investment and investment holding
(h) HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
(i) HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
(j) HL Bank Nominees (Singapore) Pte Ltd+	100	100	Agent and nominee for clients

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 11 SUBSIDIARY COMPANIES (CONTINUED)

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

Name	Percentage (%) of equity held		Principal activities
	2016	2015	
(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) Prominic Berhad	100	100	Dormant upon redemption of subordinated notes
(o) Promilia Berhad	100	100	Dormant
(p) DC Tower Sdn Bhd*	100	-	Property investment
(q) Unincorporated trust for ESOS <sup>Ω</sup> *	-	-	Special purpose vehicle

\* Not audited by PricewaterhouseCoopers

+ Audited by member firms of PricewaterhouseCoopers International

Ω Deemed subsidiaries pursuant to MFRS 10 "Consolidated Financial Statements"

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd which is incorporated in Singapore, HLB Trade Services (Hong Kong) which is incorporated in Hong Kong, Hong Leong Bank Vietnam Limited which is incorporated in Vietnam and Hong Leong Bank (Cambodia) PLC which is incorporated in Cambodia.

The details of acquisition of DC Tower Sdn Bhd are as highlighted in Note 51(a).

## 12 INVESTMENT IN JOINT VENTURE

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares outside Malaysia, at cost	76,711	76,711	76,711	76,711
Cumulative share of results, net of dividends received	47,242	29,770	-	-
Exchange fluctuation reserve	20,922	22,309	-	-
	<b>144,875</b>	128,790	<b>76,711</b>	76,711



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 12 INVESTMENT IN JOINT VENTURE (CONTINUED)

(a) Information about joint venture

Name	Country of incorporation	The Group Percentage (%) of equity held		Principal activity
		2016	2015	
Sichuan Jincheng Consumer Finance Limited Company ("CFC")	China	49%	49%	Consumer finance

On 1 March 2010, HLB together with Bank of Chengdu Co., Ltd. ("BOCD"), obtained operation approval from China Banking Regulatory Commission ("CBRC") for Sichuan Jincheng Consumer Finance Limited Company ("JV Co"), a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. This JV Co focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in the JV Co. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements the Bank's strategic partnership in BOCD and affirms the Bank's vision and belief in the huge potential of China.

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

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

	The Group	
	2016 RM'000	2015 RM'000
Total assets	959,061	840,048
Total liabilities	(663,398)	(577,211)
Net assets	295,663	262,837

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

	The Group	
	2016 RM'000	2015 RM'000
Interest income	114,510	106,593
Interest expenses	(40,666)	(27,754)
Non-interest income	41,059	19,820
Profit before taxation	57,513	44,629
Profit after taxation	43,320	33,471
Dividend paid by the joint venture during the financial year	7,663	-
Share of results of joint venture (%)	49%	49%
Share of results of joint venture (RM'000)	21,227	16,401

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 12 INVESTMENT IN JOINT VENTURE (CONTINUED)

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

	The Group	
	2016 RM'000	2015 RM'000
Opening net assets as at 1 July	262,837	217,308
Profit for the financial year	43,320	-
Dividend paid	(7,663)	-
Exchange fluctuation reserve	(2,831)	45,529
Closing net assets as at 30 June	295,663	262,837
Interest in joint venture (%)	49%	49%
Interest in joint venture (RM'000)	144,875	128,790

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.

### 13 INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost:				
- outside Malaysia	946,505	946,505	946,505	946,505
- in Malaysia	20	20	20	20
Cumulative share of results, net of dividends received	1,668,230	1,453,940	-	-
Cumulative share of changes in other comprehensive income	15,073	10,548	-	-
Exchange fluctuation reserve	547,940	566,763	-	-
	3,177,768	2,977,776	946,525	946,525

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 13 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Information about associated companies

Name	Country of incorporation	The Group Percentage (%) of equity held		Principal activities
		2016	2015	
Bank of Chengdu Co., Ltd. ("BOCD")	China	20%	20%	Commercial banking
Community CSR Sdn Bhd ("CCSR")	Malaysia	20%	20%	Investment holding

### Nature of relationship

#### (i) BOCD

On 25 October 2007, HLB entered into a Share Subscription Agreement with BOCD to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The Proposed Subscription will enable HLB to enter into a strategic alliance with BOCD to tap into the promising and growing financial services sector of China. It will strengthen and diversify the earnings base of HLBB.

#### (ii) CCSR

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million of subscription of CRPS, the Bank is entitled to subscribe for 1 ordinary share of RM1 each in CCSR. As such, the Bank subscribed for 50 CCSR shares of RM1 each for cash at par which represent 20% equity interest of CCSR.

In November 2014, HLB subscribed to additional 19,950 CCSR Rights Issue of RM1 each.

Both BOCD and CCSR are private companies and there is no quoted market price available for their shares.

The Group deems BOCD as material associated company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 13 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

- (b) The summarised financial information of the material associated company, BOCD, which is accounted for using the equity method is as follows:

	The Group	
	2016 RM'000	2015 RM'000
Total assets	210,788,236	192,679,002
Total liabilities	(194,899,396)	(177,790,122)
Net assets	15,888,840	14,888,880

	The Group	
	2016 RM'000	2015 RM'000
Interest income	8,591,993	8,299,667
Interest expenses	(3,682,577)	(3,622,526)
Non-interest income	751,728	247,973
Profit before taxation	2,164,939	2,378,765
Profit after taxation	1,560,890	2,006,385
Dividends paid by the associated company during the financial year	489,440	334,470
Share of results of associated company (%)	20%	20%
Share of results of associated company (RM'000)	312,178	401,277

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 13 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

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

	The Group	
	2016 RM'000	2015 RM'000
Opening net assets as at 1 July	14,888,880	10,316,600
Profit for the financial year	1,560,890	2,006,385
Other comprehensive income for the financial year	22,625	66,550
Dividends paid	(489,440)	(334,470)
Exchange fluctuation reserve	(94,115)	2,833,815
Closing net assets as at 30 June	15,888,840	14,888,880
Interest in associated company (%)	20%	20%
Interest in associated company (RM'000)	3,177,768	2,977,776

The information presented above is based on the financial statements of the associated company after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated company.

The summarised financial information above represents amount shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 14 PROPERTY AND EQUIPMENT

The Group 2016	Cost										Property work-in- progress* RM'000	Total RM'000
	Freehold land RM'000	Buildings on land RM'000	Leasehold land less than 50 years or more RM'000	Buildings on leasehold land less than 50 years or more 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		
At 1 July	60,832	34,796	3,450	29,778	732	100,800	504,490	795,666	7,982	83,228	-	1,621,754
Additions	17,960	17,066	-	3,800	-	1,355	20,358	77,059	301	33,474	620,075	791,448
Reclassification/ Adjustments	(11,945)	12,271	(1,757)	7,247	1,501	(7,317)	526	515	-	(5,621)	-	(4,580)
Disposals/Write off	(486)	(294)	-	-	-	-	(9,727)	(12,429)	(1,095)	-	-	(24,031)
Exchange fluctuation	-	-	-	-	-	-	1,396	2,346	91	169	-	4,002
At 30 June	66,361	63,839	1,693	40,825	2,233	94,838	517,043	863,157	7,279	111,250	620,075	2,388,593
<b>Accumulated depreciation</b>												
At 1 July	-	13,589	2,160	3,663	417	14,124	362,922	540,775	5,525	-	-	943,175
Charge for the financial year	-	6,080	3	132	33	1,710	27,911	46,782	861	-	-	83,512
Reclassification/ Adjustments	-	(1,207)	(763)	1,092	571	308	(151)	150	-	-	-	-
Disposals/Write off	-	(95)	-	-	-	-	(9,383)	(12,191)	(1,072)	-	-	(22,741)
Exchange fluctuation	-	-	-	-	-	-	535	1,580	73	-	-	2,188
At 30 June	-	18,367	1,400	4,887	1,021	16,142	381,834	577,096	5,387	-	-	1,006,134
<b>Net book value as at 30 June 2016</b>	<b>66,361</b>	<b>45,472</b>	<b>293</b>	<b>35,938</b>	<b>1,212</b>	<b>78,696</b>	<b>135,209</b>	<b>286,061</b>	<b>1,892</b>	<b>111,250</b>	<b>620,075</b>	<b>1,382,459</b>

\* The addition of property work-in-progress arises from the acquisition of DC Tower Sdn Bhd as highlighted in Note 51(a). The Group has paid a total consideration of RM620.1 million, which comprises cash consideration of RM168.8 million and assumed borrowings of RM384.7 million (Note 26) and assumed liabilities of RM66.6 million.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 14 PROPERTY AND EQUIPMENT (CONTINUED)

The Group 2015	Cost										Total RM'000
	Freehold land RM'000	Buildings on land RM'000	Leasehold land less than 50 years or more 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	
	97,965	191,940	5,271	22,696	2,944	106,351	466,791	694,844	8,640	52,824	1,650,266
Additions	-	-	-	-	-	-	47,245	112,943	975	30,361	191,524
Disposals/Write off	(37,133)	(157,144)	(1,821)	7,082	(2,212)	(5,551)	(11,463)	(16,053)	(1,730)	-	(226,025)
Exchange fluctuation	-	-	-	-	-	-	1,917	3,932	97	43	5,989
At 30 June	60,832	34,796	3,450	29,778	732	100,800	504,490	795,666	7,982	83,228	1,621,754
	<b>Accumulated depreciation</b>										
At 1 July	-	22,544	2,856	2,899	902	25,302	346,492	517,718	5,968	-	924,681
Charge for the financial year	-	4,607	45	584	15	2,027	25,991	36,361	1,189	-	70,819
Disposals/Write off	-	(13,562)	(741)	180	(500)	(13,205)	(10,820)	(16,188)	(1,730)	-	(56,566)
Exchange fluctuation	-	-	-	-	-	-	1,259	2,884	98	-	4,241
At 30 June	-	13,589	2,160	3,663	417	14,124	362,922	540,775	5,525	-	943,175
<b>Net book value as at 30 June 2015</b>	60,832	21,207	1,290	26,115	315	86,676	141,568	254,891	2,457	83,228	678,579

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 14 PROPERTY AND EQUIPMENT (CONTINUED)

The Bank 2016	Freehold land RM'000	Buildings on land 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	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>Cost</b>																			
At 1 July	51,051	31,609	2,190	28,727	471	97,558	473,795	769,211	7,444	76,676	1,538,732								
Additions	17,960	17,066	-	3,800	-	1,355	19,989	71,468	301	33,461	165,400								
Reclassification/Adjustments	(12,026)	12,352	(1,757)	7,247	1,501	(7,317)	-	-	-	-	-								
Disposals/Write off	(486)	(294)	-	-	-	-	(9,583)	(12,386)	(867)	-	(23,616)								
Exchange fluctuation	-	-	-	-	-	-	334	1,641	72	-	2,047								
At 30 June	56,499	60,733	433	39,774	1,972	91,596	484,535	829,934	6,950	110,137	1,682,563								
<b>Accumulated depreciation</b>																			
At 1 July	-	11,681	901	3,423	320	12,405	349,416	527,520	5,282	-	910,948								
Charge for the financial year	-	6,070	3	123	28	1,633	24,803	44,200	757	-	77,617								
Reclassification/Adjustments	-	(1,207)	(763)	1,092	571	307	-	-	-	-	-								
Disposals/Write off	-	(95)	-	-	-	-	(9,240)	(12,172)	(867)	-	(22,374)								
Exchange fluctuation	-	-	-	-	-	-	277	1,239	72	-	1,588								
At 30 June	-	16,449	141	4,638	919	14,345	365,256	560,787	5,244	-	967,779								
<b>Net book value as at 30 June 2016</b>	56,499	44,284	292	35,136	1,053	77,251	119,279	269,147	1,706	110,137	714,784								



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 15 INTANGIBLE ASSETS

The Group 2016	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
<b>Cost or valuation</b>				
At 1 July	152,434	127,426	483,985	763,845
Additions	-	-	17,919	17,919
Reclassification	-	-	4,280	4,280
Write off	-	-	(4,095)	(4,095)
Exchange fluctuation	-	-	1,090	1,090
At 30 June	152,434	127,426	503,179	783,039
<b>Amortisation and impairment</b>				
At 1 July	90,734	53,095	301,909	445,738
Amortisation during the financial year	21,776	12,743	38,319	72,838
Write off	-	-	(708)	(708)
Exchange fluctuation	-	-	405	405
At 30 June	112,510	65,838	339,925	518,273
<b>Net book value as at 30 June 2016</b>	<b>39,924</b>	<b>61,588</b>	<b>163,254</b>	<b>264,766</b>

2015	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
<b>Cost or valuation</b>				
At 1 July	152,434	127,426	448,756	728,616
Additions	-	-	41,305	41,305
Write off	-	-	(8,622)	(8,622)
Exchange fluctuation	-	-	2,546	2,546
At 30 June	152,434	127,426	483,985	763,845
<b>Amortisation and impairment</b>				
At 1 July	68,958	40,352	271,515	380,825
Amortisation during the financial year	21,776	12,743	34,968	69,487
Write off	-	-	(5,747)	(5,747)
Exchange fluctuation	-	-	1,173	1,173
At 30 June	90,734	53,095	301,909	445,738
<b>Net book value as at 30 June 2015</b>	<b>61,700</b>	<b>74,331</b>	<b>182,076</b>	<b>318,107</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 15 INTANGIBLE ASSETS (CONTINUED)

The Bank 2016	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
<b>Cost or valuation</b>				
At 1 July	152,434	127,426	454,391	734,251
Additions	-	-	16,518	16,518
Write off	-	-	(4,091)	(4,091)
At 30 June	152,434	127,426	466,818	746,678
<b>Amortisation and impairment</b>				
At 1 July	90,734	53,095	287,621	431,450
Amortisation during the financial year	21,776	12,743	34,629	69,148
Write off	-	-	(704)	(704)
At 30 June	112,510	65,838	321,546	499,894
<b>Net book value as at 30 June 2016</b>	<b>39,924</b>	<b>61,588</b>	<b>145,272</b>	<b>246,784</b>

2015	Core deposits RM'000	Customer relationships RM'000	Computer software RM'000	Total RM'000
<b>Cost or valuation</b>				
At 1 July	152,434	127,426	425,912	705,772
Additions	-	-	37,040	37,040
Write off	-	-	(8,561)	(8,561)
At 30 June	152,434	127,426	454,391	734,251
<b>Amortisation and impairment</b>				
At 1 July	68,958	40,352	261,143	370,453
Amortisation during the financial year	21,776	12,743	32,174	66,693
Write off	-	-	(5,696)	(5,696)
At 30 June	90,734	53,095	287,621	431,450
<b>Net book value as at 30 June 2015</b>	<b>61,700</b>	<b>74,331</b>	<b>166,770</b>	<b>302,801</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 15 INTANGIBLE ASSETS (CONTINUED)

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.

Customer relationships acquired in a business combination have value when they represent an identifiable and predictable source of future cash flows to the combined business.

The valuation of business banking customer relationships was determined using an income approach, specifically the multi-period excess earnings method ("MEEM"). This was done by discounting forecasted incremental customer revenues attributable solely to EON Banking Group's existing business banking customer.

The discount rate used in discounting incremental cash flows was based on the risk associated with the identified intangible assets. The remaining amortisation period of core deposits and customer relationships are 2 to 5 years respectively.

## 16 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	3,957	-	-	-
Deferred tax liabilities	(120,101)	(77,090)	(114,527)	(75,672)
	<b>(116,144)</b>	<b>(77,090)</b>	<b>(114,527)</b>	<b>(75,672)</b>

The analysis of deferred tax assets and deferred tax liabilities after appropriate set off is as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets				
- To be recovered within 12 months	-	-	-	-
- To be recovered after more than 12 months	3,957	-	-	-
	<b>3,957</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred tax liabilities				
- To be recovered within 12 months	113,755	80,274	112,137	78,914
- To be recovered after more than 12 months	(233,856)	(157,364)	(226,664)	(154,586)
	<b>(120,101)</b>	<b>(77,090)</b>	<b>(114,527)</b>	<b>(75,672)</b>
	<b>(116,144)</b>	<b>(77,090)</b>	<b>(114,527)</b>	<b>(75,672)</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 16 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 available-for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Senior bonds RM'000	Provisions and advances RM'000	Total RM'000
<b>Deferred tax assets/ (liabilities)</b>								
<b>2016</b>								
At 1 July		(83,300)	(86,390)	(54)	(34,008)	108,938	17,724	(77,090)
(Charged)/Credited to statements of income	38	(20,623)	(653)	-	9,645	(39,206)	41,388	(9,449)
Under accrual in prior year		(952)	-	-	-	-	(42)	(994)
Charged in equity	41	-	(29,208)	597	-	-	-	(28,611)
At 30 June		(104,875)	(116,251)	543	(24,363)	69,732	59,070	(116,144)
<b>2015</b>								
At 1 July		(101,146)	(82,593)	-	(42,638)	22,688	69,928	(133,761)
(Charged)/Credited to statements of income	38	17,846	(145)	-	8,630	86,250	(52,204)	60,377
Charged in equity	41	-	(3,652)	(54)	-	-	-	(3,706)
At 30 June		(83,300)	(86,390)	(54)	(34,008)	108,938	17,724	(77,090)
<b>Deferred tax assets/ (liabilities)</b>								
<b>2016</b>								
At 1 July		(81,568)	(85,308)	(54)	(34,008)	108,938	16,328	(75,672)
(Charged)/Credited to statements of income	38	(19,867)	(653)	-	9,645	(39,206)	37,095	(12,986)
Charged in equity	41	-	(26,466)	597	-	-	-	(25,869)
At 30 June		(101,435)	(112,427)	543	(24,363)	69,732	53,423	(114,527)
<b>2015</b>								
At 1 July		(99,424)	(83,443)	-	(42,638)	22,688	67,898	(134,919)
(Charged)/Credited to statements of income	38	17,856	(144)	-	8,630	86,250	(51,570)	61,022
Charged in equity	41	-	(1,721)	(54)	-	-	-	(1,775)
At 30 June		(81,568)	(85,308)	(54)	(34,008)	108,938	16,328	(75,672)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 17 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Amortised cost</b>				
Fixed deposits	84,718,710	77,791,311	72,777,468	67,159,273
Negotiable instruments of deposits	7,816,740	11,257,419	6,438,947	10,127,594
Short-term placements	16,438,300	13,145,658	13,452,725	12,295,104
	<b>108,973,750</b>	102,194,388	<b>92,669,140</b>	89,581,971
Demand deposits	20,603,371	20,065,136	17,673,888	17,553,946
Savings deposits	16,581,413	15,823,857	13,976,887	13,348,698
Others	943,461	640,821	910,078	630,045
	<b>147,101,995</b>	138,724,202	<b>125,229,993</b>	121,114,660
<b>At fair value through profit and loss</b>				
Callable range accrual notes, at cost	1,442,912	1,621,641	1,025,580	1,284,949
Fair value changes arising from designation at fair value through profit or loss*	(20,993)	(69,695)	(14,796)	(62,565)
	<b>1,421,919</b>	1,551,946	<b>1,010,784</b>	1,222,384
	<b>148,523,914</b>	140,276,148	<b>126,240,777</b>	122,337,044

\* The Group and the Bank have issued structured deposits (callable range accrual notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits that are attributable to the changes in own credit risk are not significant.

The carrying amount of the callable range accrual notes of the Group is RM12,771,000 (2015: RM60,254,000) and the Bank is RM8,906,000 (2015: RM54,816,000) lower than the contractual amount at maturity.

(i) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Due within:				
- six months	89,121,480	78,595,826	74,496,461	68,010,495
- six months to one year	16,791,342	21,105,271	15,132,505	19,165,497
- one year to five years	3,043,015	2,493,291	3,022,261	2,405,979
- more than five years	17,913	-	17,913	-
	<b>108,973,750</b>	102,194,388	<b>92,669,140</b>	89,581,971

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 17 DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Government and statutory bodies	2,017,632	3,011,265	1,301,940	2,127,107
Business enterprises	62,697,264	65,026,828	48,886,621	55,067,415
Individuals	81,353,056	70,162,288	73,853,739	63,216,735
Others	2,455,962	2,075,767	2,198,477	1,925,787
	<b>148,523,914</b>	140,276,148	<b>126,240,777</b>	122,337,044

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks	6,201,230	6,389,746	5,813,633	6,133,109
Licensed investment banks	-	123,241	-	-
Licensed Islamic banks	-	49,004	-	-
Other financial institutions	-	534,240	-	-
	<b>6,201,230</b>	7,096,231	<b>5,813,633</b>	6,133,109

## 19 OTHER ASSETS

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Foreclosed properties	46	1,023	46	1,023
Sundry debtors and other prepayments	280,940	257,391	272,313	155,892
Treasury related receivables	629,659	429,244	459,522	429,244
Cash collateral pledged for derivative transactions	657,620	509,483	657,620	509,483
Other receivables	134,898	98,278	44,030	54,263
	<b>1,703,163</b>	1,295,419	<b>1,433,531</b>	1,149,905

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 20 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Derivatives at fair value through profit or loss:					
- interest rate swaps		288,774	222,498	282,994	214,549
- cross currency swaps		412,448	328,514	406,405	328,545
- foreign currency forwards		279,173	834,376	266,686	834,203
- foreign currency options		23,091	32,001	23,091	32,001
- futures		-	42	-	42
- future options		11	-	11	-
- equity options		7,995	6,952	7,995	6,952
- swaption		-	-	10,981	4,733
- commodity swap		875	306	875	306
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	-	240	-	240
<b>Total derivative financial instruments assets</b>		<b>1,012,367</b>	<b>1,424,929</b>	<b>999,038</b>	<b>1,421,571</b>
Derivatives at fair value through profit or loss:					
- interest rate swaps		(399,120)	(307,051)	(397,870)	(301,386)
- cross currency swaps		(568,397)	(454,313)	(562,681)	(454,296)
- foreign currency forwards		(503,802)	(459,621)	(493,198)	(447,471)
- foreign currency options		(17,676)	(26,255)	(17,676)	(26,255)
- equity options		(7,995)	(6,952)	(7,995)	(6,952)
- future options		(10)	-	(10)	-
- futures		(1,554)	(2,959)	(1,554)	(2,959)
- swaption		(48,215)	(30,268)	(48,032)	(30,268)
- commodity swap		(852)	(283)	(852)	(283)
Derivatives designated as cash flow hedge:					
- interest rate swaps	(a)	(2,261)	(24)	(2,261)	(24)
<b>Total derivative financial instruments liabilities</b>		<b>(1,549,882)</b>	<b>(1,287,726)</b>	<b>(1,532,129)</b>	<b>(1,269,894)</b>

(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 RM1,718,000 (2015: unrealised gain of RM162,000) from the hedging relationship as disclosed in Note 28(g) were recognised through other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge (continued)

All underlying hedged cash flows are expected to be recognised in profit or loss in the period in which they occur. This is anticipated to take place over the next 3 to 4 years from the financial year ended 30 June 2016 (2015: 4 to 5 years), as 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
<b>As at 30 June 2016</b>					
Cash inflows (assets)	1,384	464	1,867	3,433	18,586
Cash outflows (liabilities)	(1,346)	(454)	(1,811)	(3,271)	(17,812)
Net cash inflows	38	10	56	162	774
<b>As at 30 June 2015</b>					
Cash inflows (assets)	1,391	469	1,900	3,643	28,855
Cash outflows (liabilities)	(1,391)	(469)	(1,850)	(3,518)	(28,431)
Net cash inflows	-	-	50	125	424

### 21 OTHER LIABILITIES

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Zakat	350	350	-	-
Post employment benefits obligation				
- defined contribution plan	291	288	291	288
Loan advance payment	2,641,139	2,268,769	2,140,340	1,845,747
Amount due to subsidiary companies	-	-	300,862	29,016
Treasury and cheque clearing	163,202	589,704	163,202	469,163
Treasury related payables	189,958	174,206	188,815	173,063
Sundry creditors and accruals	521,090	534,896	429,544	436,044
Provision for bonus and staff related expenses	109,074	93,525	104,106	89,442
Others	290,825	239,381	208,065	221,243
	3,915,929	3,901,119	3,535,225	3,264,006

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 22 SENIOR BONDS

	Note	The Group and The Bank	
		2016 RM'000	2015 RM'000
USD 300 million senior bonds, at par	(a)	-	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		290,550	435,750
		<b>1,209,750</b>	2,271,300
Add: Interest payable		7,561	19,401
		<b>1,217,311</b>	2,290,701
Less: Unamortised discounts		(1,668)	(4,321)
		<b>1,215,643</b>	2,286,380

- (a) On 17 March 2011, the Bank issued USD300.0 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

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

On 17 March 2016, the Bank had fully redeemed the Bonds of USD300.0 million on its maturity date.

- (b) On 20 April 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300.0 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 23 TIER 2 SUBORDINATED BONDS

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	-	700,000	-	700,000
Add: Interest payable		-	13,115	-	13,115
		-	713,115	-	713,115
Less: Unamortised discounts		-	(2)	-	(2)
		-	713,113	-	713,113
RM1.0 billion Tier 2 subordinated debt, at par	(b)	-	1,000,000	-	1,000,000
Add: Interest payable		-	6,793	-	6,793
		-	1,006,793	-	1,006,793
Less: Unamortised discounts		-	(124)	-	(124)
		-	1,006,669	-	1,006,669
Subordinated medium term notes, at par	(c)	-	500,000	-	500,000
Add: Interest payable		-	65	-	65
		-	500,065	-	500,065
Less: Unamortised discounts		-	(350)	-	(350)
Fair value adjustments on completion of business combination accounting		-	(147)	-	(147)
		-	499,568	-	499,568
RM1.5 billion Tier 2 subordinated debt, at par	(d)	<b>1,500,000</b>	1,500,000	<b>1,500,000</b>	1,500,000
Add: Interest payable		<b>1,480</b>	1,664	<b>1,480</b>	1,664
		<b>1,501,480</b>	1,501,664	<b>1,501,480</b>	1,501,664
Less: Unamortised discounts		<b>(589)</b>	(1,027)	<b>(589)</b>	(1,027)
		<b>1,500,891</b>	1,500,637	<b>1,500,891</b>	1,500,637
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(e)	<b>400,000</b>	400,000	-	-
Add: Profit payable		<b>736</b>	736	-	-
		<b>400,736</b>	400,736	-	-
Less: Unamortised discounts		<b>(254)</b>	(431)	-	-
		<b>400,482</b>	400,305	-	-
RM500 million Tier 2 subordinated notes, at par	(f)	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Add: Interest payable		<b>526</b>	526	<b>526</b>	526
		<b>500,526</b>	500,526	<b>500,526</b>	500,526
Less: Unamortised discounts		<b>(577)</b>	(1,006)	<b>(577)</b>	(1,006)
		<b>499,949</b>	499,520	<b>499,949</b>	499,520
		<b>2,401,322</b>	4,619,812	<b>2,000,840</b>	4,219,507



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 23 TIER 2 SUBORDINATED BONDS (CONTINUED)

- (a) On 10 August 2010, HLB had completed the first issuance of RM700.0 million nominal value of Tier 2 Subordinated Debt (“Sub Debt”) out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700.0 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

On 10 August 2015, HLB had fully redeemed the RM700.0 million nominal value of this Sub Debt.

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

The Sub Debt constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

On 5 May 2016, HLB had fully redeemed the RM1.0 billion nominal value of this Sub Debt.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 23 TIER 2 SUBORDINATED BONDS (CONTINUED)

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

On 2 December 2014, HLB had fully redeemed the second tranche of RM250.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 4.75% per annum.

- (d) On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

- (e) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 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 dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Sukuk Ijarah, ranking *pari passu* among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (f) On 23 June 2014, HLB had completed the first issuance of RM500.0 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 24 NON-INNOVATIVE TIER 1 STAPLED SECURITIES

	The Group and The Bank	
	2016 RM'000	2015 RM'000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	-	1,400,000
Add: Interest payable	-	11,040
	-	1,411,040
Less: Unamortised discounts	-	(171)
	-	1,410,869

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

The NIT-1 Stapled Securities constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

On 5 May 2016, HLB had fully redeemed the RM1.4 billion NIT-1 Stapled Securities.

### 25 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group and The Bank	
	2016 RM'000	2015 RM'000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,771
	512,771	512,771
Less: Unamortised discounts	(5,858)	(7,367)
Fair value adjustments on completion of business combination accounting	14,599	24,819
	521,512	530,223

On 10 September 2009, Promino issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500.0 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-1 Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of the Group and the Bank.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 26 BORROWINGS

	The Group	
	2016 RM'000	2015 RM'000
<b>Secured</b>		
Bridging loan	284,730	-
Term loan	100,000	-
	<b>384,730</b>	<b>-</b>

The borrowings are part of the net assets of a subsidiary, DC Tower Sdn Bhd ("DCT"), that was acquired during the financial year.

Bridging loan and term loan are secured by a deed of assignment assigning all the rights and titles, interests and benefits under the sale and purchase agreements which incorporates the assignment of development rights, including ownership over the property work-in-progress as disclosed in Note 14 and a third party legal charge on a parcel of freehold land of its related company.

The bridging loan is repayable over the periods from years 2018 to 2022 and bears interest rates ranging from 4.49% to 4.54% per annum during the financial year.

The term loan is repayable in year 2020 and bears interest at rates ranging from 4.49% to 5.02% per annum during the financial year.

## 27 SHARE CAPITAL

	Note	The Group and The Bank	
		2016 RM'000	2015 RM'000
<b>Authorised:</b>			
3,000,000,000 shares of RM1.00 each		<b>3,000,000</b>	3,000,000
<b>Issued and fully paid:</b>			
Ordinary shares of RM1.00 each			
As at beginning of the financial year		<b>1,879,909</b>	1,879,909
Add: New ordinary shares issued during the financial year	(i)	<b>287,809</b>	-
As at end of the financial year		<b>2,167,718</b>	1,879,909

- (i) During the financial year ended 30 June 2016, the Bank increased its issued and paid-up capital from 1,879,909,100 to 2,167,718,284 via issuance of 287,809,184 new ordinary shares of RM1.00 each on the basis of 4 Rights Shares for every 25 existing shares held by HLBB's entitled shareholders on 27 November 2015 at an issue price of RM10.40 per rights share.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 28 RESERVES

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Retained profits	(a)	8,412,365	7,819,514	6,035,024	5,653,204
Share premium		5,571,345	2,872,183	5,571,345	2,872,183
Statutory reserve	(b)	3,920,716	3,575,114	3,380,604	3,084,249
Share options reserve	(c)	10,205	-	10,205	-
Fair value reserve	(d)	318,319	207,975	310,050	214,109
Exchange fluctuation reserve	(e)	854,465	683,966	197,537	38,798
Regulatory reserves	(f)	598,772	399,357	495,008	334,138
Cash flow hedge reserve	(g)	(1,718)	162	(1,718)	162
		11,272,104	7,738,757	9,963,031	6,543,639
		19,684,469	15,558,271	15,998,055	12,196,843

- (a) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.
- (b) The statutory reserve is maintained by the Bank in compliance with Section 47(2)(f) of the Financial Services Act, 2013 and the Islamic banking subsidiary in compliance with Section 57(2)(f) of the Islamic Financial Services Act, 2013 and is not distributable as cash dividends.
- (c) The share options reserve arose from share options granted to eligible executives of the Bank pursuant to the Bank's Executive Share Scheme. Terms of the Bank's Executive Share Scheme are disclosed in Note 53 to the financial statements.
- (d) Movement of the fair value reserve is as follows:

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 July		207,975	186,444	214,109	208,942
Net gain from change in fair value		203,685	91,784	191,065	81,490
Reclassification to net profit on disposal and impairment		(68,658)	(83,509)	(68,658)	(76,269)
Deferred taxation	41	(29,208)	(54)	(26,466)	(54)
Share of fair value reserve of associated company		4,525	13,310	-	-
Net change in fair value reserve		110,344	21,531	95,941	5,167
At 30 June		318,319	207,975	310,050	214,109

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 28 RESERVES (CONTINUED)

- (e) Currency translation differences arising from translation of the Bank's foreign branches, subsidiaries, associated companies and joint venture are recognised in exchange fluctuation reserve.
- (f) The Bank and its wholly owned subsidiary, Hong Leong Islamic Bank Berhad are required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with BNM circular dated 6 April 2015 titled 'Classification and Impairment Provisions for Loans/Financing'.

During the financial year, an additional amount of RM199.42 million (2015: RM389.09 million) at Group and RM160.87 million (2015: RM334.14 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 RM11.25 million (2015: RM11.25 million) in line with the requirements of the State Bank of Vietnam.

- (g) 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.

## 29 TREASURY SHARES

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of own shares pursuant to Section 67A, Companies Act 1965	(a)	431,829	431,829	431,829	431,829
Treasury shares for ESOS scheme	(b)	303,211	216,759	303,211	216,759
		<b>735,040</b>	648,588	<b>735,040</b>	648,588

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

The shareholders of the Bank, via an ordinary resolution passed at the Annual General Meeting held on 25 October 2011, had approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, there were no purchase of ordinary shares of RM1.00 each from the open market. As at 30 June 2016, the total number of shares bought was 81,101,700 (2015: 81,101,700) and the shares held were accounted as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

There was no resale or cancellation of treasury shares during the financial year. The adjusted number of issued and fully paid-up shares with voting rights as at 30 June 2016 after deducting treasury shares purchased is 2,086,616,584 shares (2015: 1,798,807,400). Treasury shares have no rights to vote nor participation in dividends or other distribution.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 29 TREASURY SHARES (CONTINUED)

### (b) Treasury shares for ESOS scheme

In 2006, the Bank entered into a trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with an appointed trustee in conjunction with the establishment of an Executive Share Option Scheme (“ESOS”). The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank’s shares from the open market for the purposes of this trust.

MFRS 132 “Financial Instruments: Presentation” requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holders are recorded as “Treasury Shares for ESOS” in the equity on the statements of financial position.

During the financial year, the appointed trustee bought back 2,027,100 shares from the open market and 5,762,900 shares from rights issue. As at 30 June 2016, the total number of shares held was 41,162,900 (2015: 33,372,900).

## 30 INTEREST INCOME

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans, advances and financing	4,644,584	4,410,482	4,583,409	4,372,625
Money at call and deposit placements with financial institutions	183,034	257,445	175,119	263,384
Securities purchased under resale agreements	145,767	218,068	145,767	218,068
Financial assets held-for-trading	515,881	536,960	543,834	547,630
Financial investments available-for-sale	502,737	418,380	497,932	395,205
Financial investments held-to-maturity	311,041	262,819	323,699	272,830
Others	418	315	356	297
	<b>6,303,462</b>	6,104,469	<b>6,270,116</b>	6,070,039
Of which:				
Accretion of discount less amortisation of premium	241,921	221,217	241,921	221,217
Interest income earned on impaired loans, advances and financing	49,997	58,180	49,997	58,180



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 31 INTEREST EXPENSE

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits and placements of banks and other financial institutions	73,163	66,491	79,181	71,420
Deposits from other customers	2,953,038	2,683,217	2,972,411	2,696,652
Short-term placements	307,746	232,673	307,746	232,673
Senior bonds	75,082	74,259	75,082	74,259
Tier 2 subordinated bonds	145,627	202,140	145,631	202,133
Non-innovative Tier 1 stapled securities	60,024	71,317	60,024	71,317
Innovative Tier 1 capital securities	32,652	30,516	32,652	30,516
Others	1,046	2,660	1,046	2,660
	<b>3,648,378</b>	3,363,273	<b>3,673,773</b>	3,381,630

## 32 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds and others	986,299	903,576
Income derived from investment of shareholders' funds	124,306	92,445
Income attributable to depositors	(643,139)	(576,263)
	<b>467,466</b>	419,758
Of which:		
Financing income earned on impaired financing and advances	7,995	7,596

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 33 NON-INTEREST INCOME

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Fee income</b>				
Commissions	147,595	157,092	146,419	156,091
Service charges and fees	51,963	48,501	51,527	48,162
Guarantee fees	17,167	19,871	17,052	19,736
Credit card related fees	256,917	234,464	256,917	234,464
Corporate advisory fees	1,009	2,372	1,009	2,372
Commitment fees	34,624	35,174	34,303	35,056
Fee on loans, advances and financing	56,624	52,654	54,026	51,192
Other fee income	50,836	50,616	50,761	50,450
	<b>616,735</b>	<b>600,744</b>	<b>612,014</b>	<b>597,523</b>
<b>Net income from securities</b>				
Net realised gain from sale/redemption of securities portfolio:				
- Financial assets held-for-trading	38,521	29,847	38,521	29,847
- Derivative financial instruments	(2,149)	81	(2,149)	81
- Financial investments available-for-sale	90,339	111,345	90,339	101,692
- Financial investments held-to-maturity	31	350	31	350
Dividend income from:				
- Subsidiary companies	-	-	103,940	110,093
- Associated company	-	-	134,143	91,669
- Joint venture	-	-	5,145	-
- Financial investments available-for-sale	200,769	119,491	200,769	119,491
Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	2,728	(463)	2,728	(463)
- Derivative financial instruments	(62,114)	(38,352)	(62,114)	(38,352)
Amortisation of fair value changes arising from terminated fair value hedges	(519)	(3,279)	(519)	(2,886)
	<b>267,606</b>	<b>219,020</b>	<b>510,834</b>	<b>411,522</b>
<b>Other income</b>				
Foreign exchange gain	150,835	12,717	149,694	13,474
Rental income	3,798	5,511	3,798	5,511
Gain on disposal of property and equipment	1,266	50,695	1,266	50,695
Other non-operating income	15,072	17,307	14,853	17,171
	<b>170,971</b>	<b>86,230</b>	<b>169,611</b>	<b>86,851</b>
	<b>1,055,312</b>	<b>905,994</b>	<b>1,292,459</b>	<b>1,095,896</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 34 OVERHEAD EXPENSES

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Personnel costs	1,232,611	1,011,548	1,057,743	848,100
Establishment costs	438,417	417,394	381,630	362,423
Marketing expenses	162,399	161,440	156,416	155,422
Administration and general expenses	253,373	223,477	239,925	216,336
	<b>2,086,800</b>	1,813,859	<b>1,835,714</b>	1,582,281

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries, bonus and allowances	960,308	939,976	805,139	787,268
Mutual separation scheme ("MSS")	172,064	-	167,160	-
Medical expenses	30,986	26,804	26,482	22,579
Training and convention expenses	33,498	11,763	29,912	10,959
Staff welfare	7,177	8,745	6,025	7,419
Other employees benefits	28,578	24,260	23,025	19,875
	<b>1,232,611</b>	1,011,548	<b>1,057,743</b>	848,100

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of property and equipment	83,512	70,819	77,617	66,691
Amortisation of intangible assets	72,838	69,487	69,148	66,693
Rental of premises	84,129	78,772	70,020	64,883
Information technology expenses	110,367	111,449	100,071	101,046
Security services	27,686	26,177	22,422	21,077
Electricity, water and sewerage	26,329	23,870	22,935	20,659
Hire of plant and machinery	15,409	13,841	14,704	12,762
Others	18,147	22,979	4,713	8,612
	<b>438,417</b>	417,394	<b>381,630</b>	362,423

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 34 OVERHEAD EXPENSES (CONTINUED)

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Advertisement and publicity	27,139	33,229	23,875	29,405
Credit card related fees	119,434	112,590	119,434	112,590
Others	15,826	15,621	13,107	13,427
	<b>162,399</b>	161,440	<b>156,416</b>	155,422

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Teletransmission expenses	12,979	14,499	12,584	14,190
Stationery and printing expenses	16,664	18,271	16,071	17,653
Professional fees	75,605	70,342	73,187	68,289
Insurance fees	38,124	35,567	34,205	31,537
Stamp, postage and courier	20,892	20,585	20,582	20,371
Travelling and transport expenses	4,791	6,131	3,682	4,863
Registration and license fees	8,707	6,564	7,759	5,923
Brokerage and commission	6,723	6,710	3,945	5,250
Credit card fees	36,327	31,822	36,327	31,822
Others	32,561	12,986	31,583	16,438
	<b>253,373</b>	223,477	<b>239,925</b>	216,336

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 34 OVERHEAD EXPENSES (CONTINUED)

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration (Note 37)	12,386	5,662	12,200	5,426
Hire of equipment	15,510	13,942	14,995	13,164
Auditors' remuneration:				
Malaysian firm				
- statutory audit	1,737	1,694	1,498	1,448
- regulatory related fees	731	831	496	596
- tax compliance	73	59	50	36
- other tax services	-	324	-	324
- other services	75	488	75	488
PwC overseas affiliated firms				
- statutory audit	866	664	705	613
- regulatory related fees	143	75	143	75
- tax compliance	191	75	80	75
- other fees	-	1,126	-	1,103
Other overseas firm				
- statutory audit	63	67	-	-
Loss on disposal of property and equipment	271	1,001	270	1,000
Property and equipment written off	61	63	16	18
Intangible assets written off	3,387	2,875	3,387	2,865

## 35 ALLOWANCE FOR/(WRITE BACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	263,656	213,457	227,755	189,171
- individual assessment allowance	(4,446)	(49,819)	(1,086)	(41,738)
Impaired loans and financing:				
- written off	22,054	45,617	17,482	35,290
- recovered from bad debt written off	(228,658)	(261,184)	(206,088)	(236,428)
	52,606	(51,929)	38,063	(53,705)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Related parties and relationships

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

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd and HL Management Co Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) ("HLMG") 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 11	Subsidiary companies of the Bank
Associated companies of the Group as disclosed in Note 13	Associated companies of the Group
Joint venture of the Group as disclosed in Note 12	Joint venture of the Group
Key management personnel	The key management personnel of the Bank consists of: – All Directors of the Bank and six members of senior management of the Bank
Related parties of key management personnel deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

### (b) Related party transactions and balances

The Group 2016	Parent company RM'000	Other related company RM'000	Associated company RM'000	Key management personnel RM'000
<b>Income</b>				
Interest:				
- loans	-	12,839	-	89
- redeemable preference shares	-	1,333	-	-
- financial investments available-for-sale	2,150	-	-	-
Commitment fee and bank charges	-	-	-	26
Commission on Group products/services sold	-	26,943	-	-
Reimbursement of shared service cost	314	7,721	-	-
Gain on disposal of securities	-	4,157	-	-
	2,464	52,993	-	115
<b>Expenditure</b>				
Rental and maintenance	-	21,248	-	-
Insurance	-	2,212	-	-
Interest on current account and fixed deposits	-	182	-	198
Interest paid on short-term placements	-	7,239	-	3,396
Management fees	7,305	26,297	-	-
Other miscellaneous expenses	131	12,597	-	-
	7,436	69,775	-	3,594
<b>Amounts due from</b>				
Interbank placements	-	-	5,843	-
Current account	-	-	19,653	-
Loans	-	233,364	-	1,327
Redeemable preference shares	-	32,066	-	-
Financial investments available-for-sale	50,235	-	-	-
Credit card balances	-	-	-	187
Derivative assets	1,455	1,516	-	-
Others	2	599	-	-
	51,692	267,545	25,496	1,514
<b>Amounts due to</b>				
Current account and fixed deposits	-	104,353	-	20,015
Short-term placements	-	656,722	-	100,110
Derivative liabilities	-	9,691	-	-
	-	770,766	-	120,125
<b>Commitment and contingencies</b>				
Derivative related contracts	100,000	483,500	-	-



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

The Group 2015	Parent company RM'000	Other related companies RM'000	Associated company RM'000	Key management personnel RM'000
<b>Income</b>				
Interest:				
- loans	-	16,245	-	62
- redeemable preference shares	-	2,000	-	-
- financial investments available-for-sale	2,150	-	-	-
Commitment fee and bank charges	-	-	-	66
Commission on Group products/services sold	-	26,566	-	-
Reimbursement of shared service cost	204	7,577	-	-
Gain on disposal of property and equipment	-	44,519	-	-
	2,354	96,907	-	128
<b>Expenditure</b>				
Rental and maintenance	-	16,775	-	-
Insurance	-	606	-	-
Interest on current account and fixed deposits	-	1,140	-	434
Interest paid on short-term placements	-	6,887	-	2,859
Management fees	6,960	27,958	-	-
Other miscellaneous expenses	294	3,079	-	-
	7,254	56,445	-	3,293
<b>Amounts due from</b>				
Interbank placements	-	-	228,870	-
Current account	-	-	19,453	-
Loans	-	255,968	-	1,378
Redeemable preference shares	-	54,000	-	-
Financial investments available-for-sale	50,323	-	-	-
Credit card balances	-	-	-	352
Derivative assets	487	3,367	-	-
Others	4	904	-	-
	50,814	314,239	248,323	1,730
<b>Amounts due to</b>				
Current account and fixed deposits	1	117,358	-	35,901
Short-term placements	-	772,930	-	130,502
Derivative liabilities	-	94	-	-
	1	890,382	-	166,403
<b>Commitment and contingencies</b>				
Derivative related contracts	111,356	271,609	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

The Bank 2016	Parent company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>Income</b>					
Interest:					
- loans	-	-	-	12,839	89
- interbank placements	-	8,883	28	-	-
- current account	-	-	302	-	-
- negotiable instruments of deposits	-	48,404	-	-	-
- redeemable preference shares	-	-	-	1,333	-
- financial investments available-for-sale	2,150	-	-	-	-
Dividend income	-	103,940	134,143	5,145	-
Commitment fee and bank charges	-	-	-	-	26
Commission on Group products/services sold	-	-	-	26,943	-
Reimbursement of shared service cost	314	131,948	-	7,721	-
Gain on disposal of securities	-	-	-	4,157	-
	2,464	293,175	134,473	58,138	115
<b>Expenditure</b>					
Rental and maintenance	-	942	-	21,248	-
Insurance	-	-	-	2,212	-
Interest on current account and fixed deposits	-	217	-	182	198
Interest paid on stapled securities	-	59,853	-	-	-
Interest paid on short-term placements	-	-	-	7,239	3,396
Management fees	7,305	-	-	26,297	-
Other miscellaneous expenses	131	-	-	12,597	-
	7,436	61,012	-	69,775	3,594
<b>Amounts due from</b>					
Interbank placements	-	551,884	5,843	-	-
Current account	-	-	19,653	-	-
Negotiable instruments of deposits	-	500,000	-	-	-
Redeemable preference shares	-	-	-	32,066	-
Loans	-	-	-	233,364	1,002
Financial investments available-for-sale	50,235	-	-	-	-
Credit card balances	-	-	-	-	187
Derivative assets	1,455	21,648	-	1,516	-
Others	2	14,476	-	599	-
	51,692	1,088,008	25,496	267,545	1,189
<b>Amounts due to</b>					
Current account and fixed deposits	-	59,698	-	104,353	20,015
Short-term placements	-	-	-	656,722	100,110
Derivative liabilities	-	15,126	-	9,691	-
Others	-	300,862	-	-	-
	-	375,686	-	770,766	120,125
<b>Commitment and contingencies</b>					
Derivative related contracts	100,000	2,368,129	-	483,500	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

The Bank 2015	Parent company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>Income</b>					
Interest:					
- loans	-	-	-	16,245	62
- interbank placements	-	7,724	399	-	-
- current account	-	-	332	-	-
- negotiable instruments of deposits	-	36,435	-	-	-
- redeemable preference shares	-	-	-	2,000	-
- financial investments available-for-sale	2,150	-	-	-	-
Dividend income	-	110,093	91,669	-	-
Commitment fee and bank charges	-	-	-	-	66
Commission on Group products/services sold	-	-	-	26,566	-
Reimbursement of shared service cost	204	128,293	-	7,577	-
Gain on disposal of property and equipment	-	-	-	44,519	-
	2,354	282,545	92,400	96,907	128
<b>Expenditure</b>					
Rental and maintenance	-	956	-	16,775	-
Insurance	-	-	-	606	-
Interest on current account and fixed deposits	-	450	-	1,140	433
Interest paid on stapled securities	-	70,700	-	-	-
Interest paid on short-term placements	-	-	-	6,887	2,859
Management fees	6,960	-	-	27,958	-
Other miscellaneous expenses	294	-	-	3,079	-
	7,254	72,106	-	56,445	3,292
<b>Amounts due from</b>					
Interbank placements	-	1,174,408	228,870	-	-
Current account	-	-	19,453	-	-
Negotiable instruments of deposits	-	1,497,833	-	-	-
Redeemable preference shares	-	-	-	54,000	-
Loans	-	-	-	255,968	1,378
Financial investments available-for-sale	50,323	-	-	-	-
Credit card balances	-	-	-	-	352
Derivative assets	487	12,099	-	3,367	-
Others	4	14,755	-	904	-
	50,814	2,699,095	248,323	314,239	1,730
<b>Amounts due to</b>					
Current account and fixed deposits	1	77,420	-	117,358	35,652
Stapled securities	-	1,410,869	-	-	-
Short-term placements	-	-	-	772,930	130,502
Derivative liabilities	-	4,179	-	94	-
Others	-	29,016	-	-	-
	1	1,521,484	-	890,382	166,154
<b>Commitment and contingencies</b>					
Derivative related contracts	111,356	2,315,094	-	271,609	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

	The Group	
	2016 RM'000	2015 RM'000
The approved limit on loans, advances and financing for key management personnel	1,919	1,825

#### (c) Key management personnel

##### Key management compensation

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and other short-term employee benefits	23,313	18,909	23,313	18,673

Included in the above is the Directors' remuneration which is disclosed in Note 37 to the financial statements.

Loans made to key management personnel of the Group and the Bank will be on similar terms and conditions generally available to other employees within the Group. No impairment allowances were required in 2016 and 2015 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Outstanding credit exposures with connected parties	2,457,624	5,341,771	2,394,761	5,129,116
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.78%	4.04%	2.07%	4.52%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.0002%	0.0004%	0.0002%	0.0004%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 37 DIRECTORS' REMUNERATION

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

	The Group				The Bank			
	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
<b>2016</b>								
<u>Executive Director</u>								
Mr Domenic Fuda	6,876	-	14	6,890	6,876	-	14	6,890
Mr Tan Kong Khoon*	4,356	-	21	4,377	4,356	-	21	4,377
	<b>11,232</b>	<b>-</b>	<b>35</b>	<b>11,267</b>	<b>11,232</b>	<b>-</b>	<b>35</b>	<b>11,267</b>
<u>Non-executive Directors</u>								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Mr Quek Kon Sean	-	-	-	-	-	-	-	-
Ms Lim Lean See	-	245	-	245	-	245	-	245
Ms Chok Kwee Bee	-	165	-	165	-	165	-	165
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	-	237	-	237	-	237	-	237
YBhg Datuk Wira Azhar bin Abdul Hamid	-	162	-	162	-	162	-	162
YBhg Datuk Dr Md Hamzah bin Md Kassim	-	83	-	83	-	14	-	14
YBhg Tan Sri A. Razak bin Ramli	-	227	-	227	-	110	-	110
Mr Choong Yee How^	-	-	-	-	-	-	-	-
	<b>-</b>	<b>1,119</b>	<b>-</b>	<b>1,119</b>	<b>-</b>	<b>933</b>	<b>-</b>	<b>933</b>
<b>Total Directors' remuneration</b>	<b>11,232</b>	<b>1,119</b>	<b>35</b>	<b>12,386</b>	<b>11,232</b>	<b>933</b>	<b>35</b>	<b>12,200</b>

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

\* Re-designated to President and CEO of Hong Leong Financial Group Berhad with effect from 5 February 2016.

^ Resigned with effect from 21 September 2015.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 37 DIRECTORS' REMUNERATION (CONTINUED)

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

	The Group				The Bank			
	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000	Salaries and bonuses and defined contribution retirement plan RM'000	Director fees RM'000	Estimated money value for benefits-in-kind RM'000	Total RM'000
<b>2015</b>								
<u>Executive Director</u>								
Mr Tan Kong Khoon	4,630	-	35	4,665	4,630	-	35	4,665
<u>Non-executive Directors</u>								
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-	-	-
Mr Kwek Leng Hai	-	-	-	-	-	-	-	-
Mr Choong Yee How	-	-	-	-	-	-	-	-
Mr Quek Kon Sean	-	-	-	-	-	-	-	-
Ms Lim Lean See	-	185	-	185	-	185	-	185
YBhg Tan Sri A. Razak bin Ramlı	-	248	-	248	-	110	-	110
Ms Chok Kwee Bee	-	125	-	125	-	125	-	125
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	-	155	-	155	-	155	-	155
YBhg Datuk Wira Azhar bin Abdul Hamid	-	13	-	13	-	13	-	13
YBhg Dato' Mohamed Nazim bin Abdul Razak	-	218	-	218	-	120	-	120
Mr Lim Beng Choon	-	53	-	53	-	53	-	53
	-	997	-	997	-	761	-	761
<b>Total Directors' remuneration</b>	<b>4,630</b>	<b>997</b>	<b>35</b>	<b>5,662</b>	<b>4,630</b>	<b>761</b>	<b>35</b>	<b>5,426</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 38 TAXATION

	Note	The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current year income tax		461,917	606,320	431,468	595,445
Deferred taxation	16	9,449	(60,377)	12,986	(61,022)
Under/(over) accrual in prior years		6,916	(32,972)	(24,185)	(31,195)
<b>Taxation</b>		<b>478,282</b>	<b>512,971</b>	<b>420,269</b>	<b>503,228</b>

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	2,381,699	2,746,158	2,024,863	2,279,191
Tax calculated at a rate of 24% (2015: 25%)	571,608	686,540	485,967	569,798
Tax effects of:				
- Income not subject to tax	(50,773)	(59,258)	(70,450)	(77,497)
- Share of net income of foreign associated company and joint venture company	(80,017)	(104,420)	-	-
- Expenses not deductible for tax purposes	30,548	23,081	28,937	42,122
Under/(over) accrual in prior years	6,916	(32,972)	(24,185)	(31,195)
<b>Taxation</b>	<b>478,282</b>	<b>512,971</b>	<b>420,269</b>	<b>503,228</b>

	The Group	
	2016 RM'000	2015 RM'000
Unused tax losses from a wholly owned subsidiary for which no deferred tax is recognised in the financial statements	29,236	29,259



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 39 EARNINGS PER SHARE

### Basic earnings per share

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit attributable to equity holders	1,903,417	2,233,187	1,604,594	1,775,963
Weighted average number of ordinary shares in issue ('000)	1,907,364	1,766,724	1,907,364	1,766,724
Basic earnings per share (sen)	99.8	126.4	84.1	100.5

### Diluted earnings per share

The Bank has only one category of dilutive potential ordinary share, share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit attributable to equity holders	1,903,417	2,233,187	1,604,594	1,775,963
Weighted average number of ordinary shares in issue ('000)	1,907,364	1,766,724	1,907,364	1,766,724
- adjustment for ESOS	-	-	-	-
	1,907,364	1,766,724	1,907,364	1,766,724
Diluted earnings per share (sen)	99.8	126.4	84.1	100.5

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 40 DIVIDENDS

	The Group and The Bank			
	2016		2015	
	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 2015	26.0	458,731	-	-
- for financial year ended 30 June 2014	-	-	26.0	459,573
Interim single tier dividend paid				
- for financial year ended 30 June 2016	15.0	306,818	-	-
Interim dividend paid				
- for financial year ended 30 June 2015	-	-	15.0	265,197
	<b>41.0</b>	<b>765,549</b>	<b>41.0</b>	<b>724,770</b>

A final single tier dividend in respect of the financial year ended 30 June 2016 of 26.0 sen per share (2015: 26.0 sen single tier per share) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted issued and paid-up share capital (excluding 81,101,700 treasury shares held pursuant to Section 67A of the Companies Act, 1965 and ESOS scheme of 41,162,900 shares) of RM2,045,453,684 comprising 2,045,453,684 shares as at 30 June 2016, the dividend amount would approximately be RM531,817,958. The proposed dividend will be reflected in the financial statements for the financial year ending 30 June 2017 when approved by shareholders.

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

	2016			2015		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
<b>The Group</b>						
Financial investments available-for-sale						
- net fair value gain/(loss)	135,027	(29,208)	105,819	11,873	(3,652)	8,221
Cash flow hedge						
- net fair value gain/(loss)	(2,477)	597	(1,880)	216	(54)	162
<b>The Bank</b>						
Financial investments available-for-sale						
- net fair value gain/(loss)	122,407	(26,466)	95,941	6,888	(1,721)	5,167
Cash flow hedge						
- net fair value gain/(loss)	(2,477)	597	(1,880)	216	(54)	162

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 42 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional amounts of the commitments and contingencies constitute the following:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Direct credit substitutes*	120,678	212,983	116,441	211,578
Certain transaction related contingent items	1,621,014	1,606,465	1,519,689	1,508,972
Short-term self liquidating trade related contingencies	766,350	755,587	737,179	741,482
Irrevocable commitments to extend credit:				
- maturity more than one year	16,125,180	18,158,775	12,612,922	14,680,331
- maturity less than one year	17,512,946	17,262,934	15,734,240	15,610,783
Foreign exchange related contracts:^				
- less than one year	27,999,735	31,118,946	27,144,612	30,203,845
- one year to less than five years	4,950,940	4,409,157	4,950,940	4,409,157
- five years and above	846,826	819,693	846,826	819,693
Interest rate related contracts:^				
- less than one year	33,951,130	21,887,447	33,981,130	21,857,447
- one year to less than five years	36,296,189	42,671,138	36,461,189	42,386,138
- five years and above	1,877,411	2,129,631	1,877,411	2,129,631
Equity related contracts:^				
- less than one year	291,457	360,330	291,457	360,330
- one year to less than five years	212,299	102,937	212,299	102,937
Commodity related contracts:^				
- less than one year	4,949	1,471	4,949	1,471
- one year to less than five years	-	3,826	-	3,826
Unutilised credit card lines	7,503,020	7,426,036	7,503,020	7,426,036
	<b>150,080,124</b>	148,927,356	<b>143,994,304</b>	142,453,657

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

\* Included in direct credit substitutes above are the financial guarantee contracts of RM112,451,135 and RM112,386,135 at Group and Bank, respectively (2015: RM207,714,163 and RM206,937,299 at Group and Bank, respectively), of which fair value at the time of issuance is nil.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 43 CAPITAL COMMITMENTS

The capital commitments are in respect of:

- property and equipment
- intangible assets

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

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Authorised and contracted for	89,080	40,755	85,615	39,771
Authorised but not contracted for	62,551	318,265	58,518	313,098
	<b>151,631</b>	359,020	<b>144,133</b>	352,869

## 44 LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the future minimum lease payments, under non-cancellable operating lease commitment are as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Not later than one year	5,800	8,654	2,492	4,423
Later than one year and not later than five years	8,172	20,604	1,940	15,948
Later than five years	2,112	4,148	2,112	4,143
	<b>16,084</b>	33,406	<b>6,544</b>	24,514

## 45 HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad, respectively. Both companies are incorporated in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS

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

Overview and organisation

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

The Group has implemented an integrated risk management framework with the objective to ensure the overall financial soundness and stability of the Group’s business operations. The Group’s integrated risk management framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

From a governance perspective, the Board has the overall responsibility to define the Group’s risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee (“BRMC”) in approving the Group’s integrated risk management framework as well as the attendant capital management framework, risk appetite statement, risk management strategies and risk policies.

Dedicated management level committees are established by the Group to oversee the development and the assessment of effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

The BRMC is assisted by the Group Integrated Risk Management and Compliance (“GIRMC”) function, which has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Group. The core functions of the Group’s risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and 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 is the risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Group, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. The Group has established a credit risk management framework to ensure that exposure to credit risk is kept within the Group’s financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee (“MCC”), endorsed by the BRMC and the Board Credit Supervisory Committee (“BCSC”), and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Group’s credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the BCSC. The Board delegates approving and discretionary authority to the MCC and the various personnel of the Bank based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off processes to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Credit Risk Management (continued)

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 credit risk impact to capital under the relevant stress scenarios.

Internal Audit conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the 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 exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates. This applies to both interest rate risk exposure in the trading book and in the banking book. In managing the interest rate risk exposure in the banking book, the Group adopts methodologies that measure exposure in both earnings at risk perspective and economic value or capital at risk perspective.

In addition, the Group also conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

#### Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Liquidity Risk Management (continued)

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, limits and controls which are reviewed and concurred by the Asset-Liability Committee ("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 long-term and short-term marketable debt securities, diversification of funding base as well as maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The Group has in place liquidity contingency funding plans and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plans set out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

In addition, the Group also monitors the Net Stable Funding Ratio which is one of the key Basel III liquidity ratios in line with the observation period reporting to BNM.

### (b) Market risk

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

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

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

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

	The Group		The Bank	
	Increase/(decrease) Impact on profit after tax RM'000	Impact on equity RM'000	Increase/(decrease) Impact on profit after tax RM'000	Impact on equity RM'000
<b>2016</b>				
+100 basis points ('bps')	85,166	(264,277)	86,241	(215,295)
-100 bps	(85,166)	264,277	(86,241)	215,295
<b>2015</b>				
+100 basis points ('bps')	67,855	(217,826)	59,768	(169,139)
-100 bps	(67,855)	217,826	(59,768)	169,139



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

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

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

The Group	2016	2015
	Net receivable/(payable) exposure	
	RM'000	RM'000
United States Dollar ("USD")	594,839	(19,136)
Euro ("EUR")	1,137	8,780
Great Britain Pound ("GBP")	5,326	55,710
Singapore Dollar ("SGD")	(43,522)	(62,557)
Australian Dollar ("AUD")	4,907	10,046
Chinese Yuan Renminbi ("CNY")	16,995	154,946
Hong Kong Dollar ("HKD")	(522,801)	(211,496)
Others	13,763	14,421
	<b>70,644</b>	<b>(49,286)</b>

The Bank	2016	2015
	Net receivable/(payable) exposure	
	RM'000	RM'000
United States Dollar ("USD")	585,655	(16,824)
Euro ("EUR")	(228)	8,587
Great Britain Pound ("GBP")	1,614	55,301
Singapore Dollar ("SGD")	(44,201)	(63,419)
Australian Dollar ("AUD")	4,619	9,873
Chinese Yuan Renminbi ("CNY")	16,782	154,946
Hong Kong Dollar ("HKD")	(523,367)	(212,248)
Others	12,830	15,578
	<b>53,704</b>	<b>(48,206)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows:

The Group	2016	2015
	Increase/(decrease)	
	RM'000	RM'000
<b>-1%</b>		
United States Dollar ("USD")	(4,521)	144
Euro ("EUR")	(9)	(66)
Great Britain Pound ("GBP")	(40)	(418)
Singapore Dollar ("SGD")	331	469
Australian Dollar ("AUD")	(37)	(75)
Chinese Yuan Renminbi ("CNY")	(129)	(1,162)
Hong Kong Dollar ("HKD")	3,973	1,586
Others	(105)	(108)
	(537)	370
<b>+1%</b>		
United States Dollar ("USD")	4,521	(144)
Euro ("EUR")	9	66
Great Britain Pound ("GBP")	40	418
Singapore Dollar ("SGD")	(331)	(469)
Australian Dollar ("AUD")	37	75
Chinese Yuan Renminbi ("CNY")	129	1,162
Hong Kong Dollar ("HKD")	(3,973)	(1,586)
Others	105	108
	537	(370)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

An analysis of the exposures to assess the impact of a one per cent change in the foreign currency exchange rates to the profit after tax are as follows: (continued)

The Bank	2016	2015
	Increase/(decrease)	
	RM'000	RM'000
<b>-1%</b>		
United States Dollar ("USD")	(4,451)	126
Euro ("EUR")	2	(64)
Great Britain Pound ("GBP")	(12)	(415)
Singapore Dollar ("SGD")	336	476
Australian Dollar ("AUD")	(35)	(74)
Chinese Yuan Renminbi ("CNY")	(128)	(1,162)
Hong Kong Dollar ("HKD")	3,978	1,592
Others	(98)	(117)
	(408)	362
<b>+1%</b>		
United States Dollar ("USD")	4,451	(126)
Euro ("EUR")	(2)	64
Great Britain Pound ("GBP")	12	415
Singapore Dollar ("SGD")	(336)	(476)
Australian Dollar ("AUD")	35	74
Chinese Yuan Renminbi ("CNY")	128	1,162
Hong Kong Dollar ("HKD")	(3,978)	(1,592)
Others	98	117
	408	(362)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

#### Interest/Profit rate risk

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net interest sensitivity gap for items not recognised in the statements of financial position represents the net notional amounts of all interest/profit rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest/profit rates arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

	The Group								
	2016							Trading book RM'000	Total RM'000
	Non-trading book					Non-interest/ profit rate sensitive RM'000			
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					
<b>Financial assets</b>									
Cash and short-term funds	5,863,238	-	-	-	-	1,610,726	-	7,473,964	
Deposits and placements with banks and other financial institutions	-	1,720,465	335,254	-	-	1,632	-	2,057,351	
Securities purchased under resale agreements	4,052,152	-	-	-	-	4,518	-	4,056,670	
Financial assets held-for-trading	-	-	-	-	-	-	5,310,241	5,310,241	
Financial investments available-for-sale	7,265,562	327,670	1,529,589	13,335,192	2,827,884	597,421	-	25,883,318	
Financial investments held-to-maturity	36,390	1,362,207	1,527,318	7,394,488	1,300,062	151,369	-	11,771,834	
Loans, advances and financing									
- performing	97,241,178	488,622	807,065	9,950,517	10,532,737	-	-	119,020,119	
- impaired <sup>^</sup>	111,397	1,297	7,998	71,977	245,263	-	-	437,932	
Other assets	18,304	-	-	-	-	1,585,333	-	1,603,637	
Derivative financial instruments									
- trading derivatives	-	-	-	-	-	-	1,012,367	1,012,367	
Statutory deposits with Central Banks	-	-	-	-	112,002	4,184,117	-	4,296,119	
<b>Total financial assets</b>	<b>114,588,221</b>	<b>3,900,261</b>	<b>4,207,224</b>	<b>30,752,174</b>	<b>15,017,948</b>	<b>8,135,116</b>	<b>6,322,608</b>	<b>182,923,552</b>	

<sup>^</sup> This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

	The Group								
	2016							Trading book RM'000	Total RM'000
	Non-trading book					Non-interest/ profit rate sensitive RM'000			
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					
<b>Financial liabilities</b>									
Deposits from customers	63,304,256	23,982,000	36,792,168	3,741,330	514,452	20,189,708	-	148,523,914	
Deposits and placements of banks and other financial institutions	3,300,780	2,748,668	145,177	-	-	6,605	-	6,201,230	
Obligations on securities sold under repurchase agreements	1,789,407	1,700,606	-	-	-	4,890	-	3,494,903	
Bills and acceptances payable	51,034	26,062	15,159	-	-	258,200	-	350,455	
Other liabilities	-	-	-	-	-	3,688,728	-	3,688,728	
Derivative financial instruments									
- trading derivatives	-	-	-	-	-	-	1,547,621	1,547,621	
- hedging derivatives	-	-	-	2,261	-	-	-	2,261	
Senior bonds	-	-	1,208,082	-	-	7,561	-	1,215,643	
Tier 2 subordinated bonds	-	-	-	2,398,581	-	2,741	-	2,401,322	
Innovative Tier 1 capital securities	-	-	-	508,741	-	12,771	-	521,512	
Borrowings	384,730	-	-	-	-	-	-	384,730	
<b>Total financial liabilities</b>	<b>68,830,207</b>	<b>28,457,336</b>	<b>38,160,586</b>	<b>6,650,913</b>	<b>514,452</b>	<b>24,171,204</b>	<b>1,547,621</b>	<b>168,332,319</b>	
<b>Net interest sensitivity gap</b>	<b>45,758,014</b>	<b>(24,557,075)</b>	<b>(33,953,362)</b>	<b>24,101,261</b>	<b>14,503,496</b>				
Financial guarantees	-	-	-	-	-	540,524			
Credit related commitments and contingencies	-	-	-	-	-	41,141,146			
Treasury related commitments and contingencies (hedging)	-	-	-	200,000	-	-			
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>41,681,670</b>			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

	The Group								
	2015							Trading book RM'000	Total RM'000
	Non-trading book						Non-interest/ profit rate sensitive RM'000		
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					
<b>Financial assets</b>									
Cash and short-term funds	4,354,867	-	-	-	-	1,875,416	-	6,230,283	
Deposits and placements with banks and other financial institutions	-	1,748,261	2,209,518	-	-	24,340	-	3,982,119	
Securities purchased under resale agreements	10,344,798	1,799,856	-	-	-	18,598	-	12,163,252	
Financial assets held-for-trading	-	-	-	-	-	-	7,131,434	7,131,434	
Financial investments available-for-sale	650,360	876,582	921,031	12,811,176	1,311,264	3,736,940	-	20,307,353	
Financial investments held-to-maturity	180,011	379,608	1,715,378	6,451,011	1,064,016	160,057	-	9,950,081	
Loans, advances and financing									
- performing	89,606,000	431,431	732,041	8,943,204	12,033,700	-	-	111,746,376	
- impaired <sup>^</sup>	96,998	4,023	8,713	70,974	197,025	-	-	377,733	
Other assets	15,756	-	-	-	-	1,203,869	-	1,219,625	
Derivative financial instruments									
- trading derivatives	-	-	-	-	-	-	1,424,689	1,424,689	
- hedging derivatives	-	-	-	240	-	-	-	240	
Statutory deposits with Central Banks	-	-	-	-	52,991	3,423,201	-	3,476,192	
<b>Total financial assets</b>	<b>105,248,790</b>	<b>5,239,761</b>	<b>5,586,681</b>	<b>28,276,605</b>	<b>14,658,996</b>	<b>10,442,421</b>	<b>8,556,123</b>	<b>178,009,377</b>	

<sup>^</sup> This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

	The Group								
	2015 Non-trading book						Non- interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
	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				
<b>Financial liabilities</b>									
Deposits from customers	53,547,504	24,861,701	37,490,821	3,330,179	679,024	20,366,919	-	140,276,148	
Deposits and placements of banks and other financial institutions	4,744,937	1,869,007	476,023	-	-	6,264	-	7,096,231	
Obligations on securities sold under repurchase agreements	1,274,795	1,992,378	421,285	-	-	2,880	-	3,691,338	
Bills and acceptances payable	1,077,780	517,585	16,960	-	-	288,642	-	1,900,967	
Other liabilities	-	-	-	-	-	3,750,369	-	3,750,369	
Derivative financial instruments									
- trading derivatives	-	-	-	-	-	-	1,287,702	1,287,702	
- hedging derivatives	-	-	-	24	-	-	-	24	
Senior bonds	-	-	1,131,329	1,135,650	-	19,401	-	2,286,380	
Tier 2 subordinated bonds	-	699,998	1,499,379	2,397,536	-	22,899	-	4,619,812	
Non-innovative Tier 1 stapled securities	-	-	1,399,828	-	-	11,041	-	1,410,869	
Innovative Tier 1 capital securities	-	-	-	517,452	-	12,771	-	530,223	
<b>Total financial liabilities</b>	<b>60,645,016</b>	<b>29,940,669</b>	<b>42,435,625</b>	<b>7,380,841</b>	<b>679,024</b>	<b>24,481,186</b>	<b>1,287,702</b>	<b>166,850,063</b>	
<b>Net interest sensitivity gap</b>	<b>44,603,774</b>	<b>(24,700,908)</b>	<b>(36,848,944)</b>	<b>20,895,764</b>	<b>13,979,972</b>				
Financial guarantees	-	-	-	-	-	612,341			
Credit related commitments and contingencies	-	-	-	-	-	42,847,745			
Treasury related commitments and contingencies (hedging)	-	-	-	200,000	-	-			
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>43,460,086</b>			



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

	The Bank							
	2016							
	Non-trading book						Non-interest/ profit rate sensitive RM'000	Trading book RM'000
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				
<b>Financial assets</b>								
Cash and short-term funds	4,192,331	-	-	-	-	1,465,516	-	5,657,847
Deposits and placements with banks and other financial institutions	-	1,814,563	335,254	-	-	1,632	-	2,151,449
Securities purchased under resale agreements	4,052,152	-	-	-	-	4,518	-	4,056,670
Financial assets held-for-trading	-	-	-	-	-	-	5,115,288	5,115,288
Financial investments available-for-sale	7,245,552	327,670	1,448,873	11,634,726	2,622,064	577,327	-	23,856,212
Financial investments held-to-maturity	9,999	1,362,207	1,590,937	5,855,025	1,055,012	132,604	-	10,005,784
Loans, advances and financing								
- performing	82,902,136	393,565	657,552	8,262,717	7,466,998	-	-	99,682,968
- impaired <sup>^</sup>	102,060	865	6,251	65,478	201,497	-	-	376,151
Other assets	18,304	-	-	-	-	1,352,243	-	1,370,547
Derivative financial instruments								
- trading derivatives	-	-	-	-	-	-	999,038	999,038
Amount due from subsidiaries	-	-	-	-	-	14,476	-	14,476
Statutory deposits with Central Banks	-	-	-	-	-	3,602,936	-	3,602,936
<b>Total financial assets</b>	<b>98,522,534</b>	<b>3,898,870</b>	<b>4,038,867</b>	<b>25,817,946</b>	<b>11,345,571</b>	<b>7,151,252</b>	<b>6,114,326</b>	<b>156,889,366</b>

<sup>^</sup> This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

	The Bank								
	2016							Trading book RM'000	Total RM'000
	Non-trading book						Non-interest/ profit rate sensitive RM'000		
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					
<b>Financial liabilities</b>									
Deposits from customers	53,592,527	19,118,142	32,355,453	3,327,207	514,452	17,332,996	-	126,240,777	
Deposits and placements of banks and other financial institutions	3,326,151	2,393,651	87,330	-	-	6,501	-	5,813,633	
Obligations on securities sold under repurchase agreements	1,789,407	1,700,606	-	-	-	4,890	-	3,494,903	
Bills and acceptances payable	50,307	24,201	13,839	-	-	245,605	-	333,952	
Other liabilities	-	-	-	-	-	3,396,953	-	3,396,953	
Derivative financial instruments									
- trading derivatives	-	-	-	-	-	-	1,529,868	1,529,868	
- hedging derivatives	-	-	-	2,261	-	-	-	2,261	
Senior bonds	-	-	1,208,082	-	-	7,561	-	1,215,643	
Tier 2 subordinated bonds	-	-	-	1,998,835	-	2,005	-	2,000,840	
Innovative Tier 1 capital securities	-	-	-	508,741	-	12,771	-	521,512	
<b>Total financial liabilities</b>	<b>58,758,392</b>	<b>23,236,600</b>	<b>33,664,704</b>	<b>5,837,044</b>	<b>514,452</b>	<b>21,009,282</b>	<b>1,529,868</b>	<b>144,550,342</b>	
<b>Net interest sensitivity gap</b>	<b>39,764,142</b>	<b>(19,337,730)</b>	<b>(29,625,837)</b>	<b>19,980,902</b>	<b>10,831,119</b>				
Financial guarantees	-	-	-	-	-	507,123			
Credit related commitments and contingencies	-	-	-	-	-	35,850,182			
Treasury related commitments and contingencies (hedging)	-	-	-	200,000	-	-			
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>36,357,305</b>			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

	The Bank								
	2015 Non-trading book						Non- interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
	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				
<b>Financial assets</b>									
Cash and short-term funds	3,196,983	-	-	-	-	1,775,389	-	4,972,372	
Deposits and placements with banks and other financial institutions	-	2,107,034	2,209,518	-	-	24,340	-	4,340,892	
Securities purchased under resale agreements	10,344,798	1,799,856	-	-	-	18,598	-	12,163,252	
Financial assets held-for-trading	-	-	-	-	-	-	7,123,538	7,123,538	
Financial investments available-for-sale	528,725	755,936	606,035	11,238,236	528,535	3,712,971	-	17,370,438	
Financial investments held-to-maturity	125,009	270,062	1,280,194	5,836,841	966,568	140,067	-	8,618,741	
Loans, advances and financing									
- performing	78,012,197	368,614	495,818	7,389,235	8,986,256	-	-	92,252,120	
- impaired <sup>^</sup>	82,094	3,679	7,440	58,709	159,451	-	-	311,373	
Other assets	15,756	-	-	-	-	1,084,861	-	1,100,617	
Derivative financial instruments									
- trading derivatives	-	-	-	-	-	-	1,421,331	1,421,331	
- hedging derivatives	-	-	-	240	-	-	-	240	
Amount due from subsidiaries	-	-	-	-	-	12,984	-	12,984	
Statutory deposits with Central Banks	-	-	-	-	-	2,859,590	-	2,859,590	
<b>Total financial assets</b>	<b>92,305,562</b>	<b>5,305,181</b>	<b>4,599,005</b>	<b>24,523,261</b>	<b>10,640,810</b>	<b>9,628,800</b>	<b>8,544,869</b>	<b>155,547,488</b>	

<sup>^</sup> This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

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

	The Bank								
	2015							Trading book RM'000	Total RM'000
	Non-trading book						Non-interest/ profit rate sensitive RM'000		
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					
<b>Financial liabilities</b>									
Deposits from customers	46,833,620	20,977,265	33,025,649	2,941,590	679,024	17,879,896	-	122,337,044	
Deposits and placements of banks and other financial institutions	4,358,852	1,618,422	151,910	-	-	3,925	-	6,133,109	
Obligations on securities sold under repurchase agreements	1,274,795	1,992,378	421,285	-	-	2,880	-	3,691,338	
Bills and acceptances payable	1,077,661	516,695	15,762	-	-	264,020	-	1,874,138	
Other liabilities	-	-	-	-	-	3,105,949	-	3,105,949	
Derivative financial instruments									
- trading derivatives	-	-	-	-	-	-	1,269,870	1,269,870	
Senior bonds	-	-	-	24	-	-	-	24	
Tier 2 subordinated bonds	-	-	1,131,329	1,135,650	-	19,401	-	2,286,380	
Tier-2 capital cumulative subordinated loan	-	699,998	1,499,379	1,997,967	-	22,163	-	4,219,507	
Non-innovative Tier 1 stapled securities	-	-	1,399,828	-	-	11,041	-	1,410,869	
Innovative Tier 1 capital securities	-	-	-	517,452	-	12,771	-	530,223	
<b>Total financial liabilities</b>	<b>53,544,928</b>	<b>25,804,758</b>	<b>37,645,142</b>	<b>6,592,683</b>	<b>679,024</b>	<b>21,322,046</b>	<b>1,269,870</b>	<b>146,858,451</b>	
<b>Net interest sensitivity gap</b>	<b>38,760,634</b>	<b>(20,499,577)</b>	<b>(33,046,137)</b>	<b>17,930,578</b>	<b>9,961,786</b>				
Financial guarantees	-	-	-	-	-	597,676			
Credit related commitments and contingencies	-	-	-	-	-	37,717,150			
Treasury related commitments and contingencies (hedging)	-	-	-	200,000	-	-			
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>38,314,826</b>			

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2016 based on the remaining contractual maturity:

	The Group							
	2016							
	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
<b>Assets</b>								
Cash and short-term funds	5,819,643	1,654,321	-	-	-	-	-	7,473,964
Deposits and placements with banks and other financial institutions	-	-	1,721,584	303,091	32,676	-	-	2,057,351
Securities purchased under resale agreements	-	4,056,670	-	-	-	-	-	4,056,670
Financial assets held-for-trading	21,803	1,784,002	2,102,414	90,384	-	1,311,638	-	5,310,241
Financial investments available-for-sale	7,157,135	118,016	330,395	568,570	652,684	16,629,164	427,354	25,883,318
Financial investments held-to-maturity	16,435	20,373	1,379,218	923,763	612,340	8,819,705	-	11,771,834
Loans, advances and financing	10,969,090	6,148,011	5,792,698	2,813,164	684,413	93,050,675	-	119,458,051
Other assets	1,113,595	77	12,871	8,304	3,999	20,965	543,352	1,703,163
Derivative financial instruments	108,179	72,416	66,940	67,182	48,129	649,521	-	1,012,367
Statutory deposits with Central Banks	-	-	-	-	-	-	4,296,119	4,296,119
Investment in associated companies	-	-	-	-	-	-	3,177,768	3,177,768
Investment in joint venture	-	-	-	-	-	-	144,875	144,875
Property and equipment	-	-	-	-	-	-	1,382,459	1,382,459
Intangible assets	-	-	-	-	-	-	264,766	264,766
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	3,957	3,957
<b>Total assets</b>	<b>25,205,880</b>	<b>13,853,886</b>	<b>11,406,120</b>	<b>4,774,458</b>	<b>2,034,241</b>	<b>120,481,668</b>	<b>12,071,962</b>	<b>189,828,215</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2016 based on the remaining contractual maturity: (continued)

	The Group							Total RM'000
	2016							
	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	
<b>Liabilities</b>								
Deposits from customers	48,732,383	34,503,798	23,849,064	20,106,824	16,841,113	4,490,732	-	148,523,914
Deposits and placements of banks and other financial institutions	1,964,900	1,179,785	2,791,364	170,268	94,913	-	-	6,201,230
Obligations on securities sold under repurchase agreements	230,836	1,562,179	1,701,888	-	-	-	-	3,494,903
Bills and acceptances payable	43,503	7,531	26,062	15,155	4	-	258,200	350,455
Other liabilities	3,650,467	-	-	-	101,443	-	164,019	3,915,929
Derivative financial instruments	62,573	68,382	170,906	191,864	102,672	953,485	-	1,549,882
Senior bonds	-	-	-	-	1,215,643	-	-	1,215,643
Tier 2 subordinated bonds	-	-	-	-	-	2,401,322	-	2,401,322
Innovative Tier 1 capital securities	-	-	-	-	-	521,512	-	521,512
Borrowings	-	-	-	-	-	384,730	-	384,730
Taxation	-	-	-	-	-	-	31,447	31,447
Deferred tax liabilities	-	-	-	-	-	-	120,101	120,101
<b>Total liabilities</b>	<b>54,684,662</b>	<b>37,321,675</b>	<b>28,539,284</b>	<b>20,484,111</b>	<b>18,355,788</b>	<b>8,751,781</b>	<b>573,767</b>	<b>168,711,068</b>
Total equity	-	-	-	-	-	-	21,117,147	21,117,147
<b>Total liabilities and equity</b>	<b>54,684,662</b>	<b>37,321,675</b>	<b>28,539,284</b>	<b>20,484,111</b>	<b>18,355,788</b>	<b>8,751,781</b>	<b>21,690,914</b>	<b>189,828,215</b>
<b>Net liquidity gap</b>	<b>(29,478,782)</b>	<b>(23,467,789)</b>	<b>(17,133,164)</b>	<b>(15,709,653)</b>	<b>(16,321,547)</b>	<b>111,729,887</b>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

	The Group							Total RM'000
	2015							
	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	
<b>Assets</b>								
Cash and short-term funds	5,647,973	582,310	-	-	-	-	-	6,230,283
Deposits and placements with banks and other financial institutions	-	-	1,769,433	1,377,167	835,519	-	-	3,982,119
Securities purchased under resale agreements	2,310,095	8,052,072	1,801,085	-	-	-	-	12,163,252
Financial assets held-for-trading	779,168	603,871	2,913,273	702,851	42,196	2,090,075	-	7,131,434
Financial investments available-for-sale	2,834,853	616,078	877,241	226,376	703,901	14,231,440	817,464	20,307,353
Financial investments held-to-maturity	557	182,895	387,872	70,687	1,667,421	7,640,649	-	9,950,081
Loans, advances and financing	11,156,180	6,114,565	5,234,950	2,641,519	653,793	86,323,102	-	112,124,109
Other assets	430,315	4,475	8,696	11,465	2,423	18,793	819,252	1,295,419
Derivative financial instruments	120,924	304,629	261,789	144,110	114,159	479,318	-	1,424,929
Statutory deposits with Central Banks	-	-	-	-	-	-	3,476,192	3,476,192
Investment in associated companies	-	-	-	-	-	-	2,977,776	2,977,776
Investment in joint venture	-	-	-	-	-	-	128,790	128,790
Property and equipment	-	-	-	-	-	-	678,579	678,579
Intangible assets	-	-	-	-	-	-	318,107	318,107
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
<b>Total assets</b>	<b>23,280,065</b>	<b>16,460,895</b>	<b>13,254,339</b>	<b>5,174,175</b>	<b>4,019,412</b>	<b>110,783,377</b>	<b>11,047,472</b>	<b>184,019,735</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity: (continued)

	The Group							Total RM'000
	2015							
	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	
<b>Liabilities</b>								
Deposits from customers	50,904,161	22,757,242	24,955,477	16,496,263	21,108,308	4,054,697	-	140,276,148
Deposits and placements of banks and other financial institutions	2,405,045	2,132,006	2,082,482	454,087	22,611	-	-	7,096,231
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	-	-	-	3,691,338
Bills and acceptances payable	276,954	800,826	517,585	16,226	734	-	288,642	1,900,967
Other liabilities	3,702,641	-	-	-	92,436	-	106,042	3,901,119
Derivative financial instruments	121,158	105,872	122,575	161,338	57,583	719,200	-	1,287,726
Senior bonds	-	-	-	-	1,143,718	1,142,662	-	2,286,380
Tier 2 subordinated bonds	-	-	713,113	499,568	1,006,669	2,400,462	-	4,619,812
Non-innovative Tier 1 stapled securities	-	-	-	-	1,410,869	-	-	1,410,869
Innovative Tier 1 capital securities	-	-	-	-	-	530,223	-	530,223
Taxation	-	-	-	-	-	-	152,240	152,240
Deferred tax liabilities	-	-	-	-	-	-	77,090	77,090
<b>Total liabilities</b>	<b>57,711,629</b>	<b>26,770,183</b>	<b>30,385,145</b>	<b>18,049,000</b>	<b>24,842,928</b>	<b>8,847,244</b>	<b>624,014</b>	<b>167,230,143</b>
Total equity	-	-	-	-	-	-	16,789,592	16,789,592
<b>Total liabilities and equity</b>	<b>57,711,629</b>	<b>26,770,183</b>	<b>30,385,145</b>	<b>18,049,000</b>	<b>24,842,928</b>	<b>8,847,244</b>	<b>17,413,606</b>	<b>184,019,735</b>
<b>Net liquidity gap</b>	<b>(34,431,564)</b>	<b>(10,309,288)</b>	<b>(17,130,806)</b>	<b>(12,874,825)</b>	<b>(20,823,516)</b>	<b>101,936,133</b>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2016 based on the remaining contractual maturity:

	The Bank							Total RM'000
	2016							
	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	
<b>Assets</b>								
Cash and short-term funds	4,203,895	1,453,952	-	-	-	-	-	5,657,847
Deposits and placements with banks and other financial institutions	-	-	1,815,682	303,091	32,676	-	-	2,151,449
Securities purchased under resale agreements	-	4,056,670	-	-	-	-	-	4,056,670
Financial assets held-for-trading	21,802	1,734,122	2,102,414	90,384	-	1,166,566	-	5,115,288
Financial investments available-for-sale	7,157,135	97,504	330,395	513,207	626,412	14,704,205	427,354	23,856,212
Financial investments held-to-maturity	48	10,145	1,379,218	697,387	902,827	7,016,159	-	10,005,784
Loans, advances and financing	9,537,823	5,860,023	5,447,286	2,616,171	585,697	76,012,119	-	100,059,119
Other assets	605,351	-	12,742	8,133	3,920	19,118	784,267	1,433,531
Derivative financial instruments	107,939	68,900	59,027	60,261	47,791	655,120	-	999,038
Amount due from subsidiaries	-	-	-	-	-	-	14,476	14,476
Statutory deposits with Central Banks	-	-	-	-	-	-	3,602,936	3,602,936
Subsidiary companies	-	-	-	-	-	-	1,529,760	1,529,760
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	714,784	714,784
Intangible assets	-	-	-	-	-	-	246,784	246,784
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
<b>Total assets</b>	<b>21,633,993</b>	<b>13,281,316</b>	<b>11,146,764</b>	<b>4,288,634</b>	<b>2,199,323</b>	<b>99,573,287</b>	<b>10,115,144</b>	<b>162,238,461</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2016 based on the remaining contractual maturity: (continued)

	The Bank							Total RM'000
	2016							
	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	
<b>Liabilities</b>								
Deposits from customers	39,874,251	30,842,738	18,973,217	17,297,906	15,192,729	4,059,936	-	126,240,777
Deposits and placements of banks and other financial institutions	2,087,108	1,082,908	2,556,283	45,271	42,063	-	-	5,813,633
Obligations on securities sold under repurchase agreements	230,836	1,562,179	1,701,888	-	-	-	-	3,494,903
Bills and acceptances payable	43,491	6,816	24,201	13,836	4	-	245,604	333,952
Other liabilities	3,052,965	-	-	-	98,197	-	384,063	3,535,225
Derivative financial instruments	62,472	66,516	163,298	185,088	102,368	952,387	-	1,532,129
Senior bonds	-	-	-	-	1,215,643	-	-	1,215,643
Tier 2 subordinated bonds	-	-	-	-	-	2,000,840	-	2,000,840
Innovative Tier 1 capital securities	-	-	-	-	-	521,512	-	521,512
Taxation	-	-	-	-	-	-	4,587	4,587
Deferred tax liabilities	-	-	-	-	-	-	114,527	114,527
<b>Total liabilities</b>	<b>45,351,123</b>	<b>33,561,157</b>	<b>23,418,887</b>	<b>17,542,101</b>	<b>16,651,004</b>	<b>7,534,675</b>	<b>748,781</b>	<b>144,807,728</b>
Total equity	-	-	-	-	-	-	17,430,733	17,430,733
<b>Total liabilities and equity</b>	<b>45,351,123</b>	<b>33,561,157</b>	<b>23,418,887</b>	<b>17,542,101</b>	<b>16,651,004</b>	<b>7,534,675</b>	<b>18,179,514</b>	<b>162,238,461</b>
<b>Net liquidity gap</b>	<b>(23,717,130)</b>	<b>(20,279,841)</b>	<b>(12,272,123)</b>	<b>(13,253,467)</b>	<b>(14,451,681)</b>	<b>92,038,612</b>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

	The Bank							Total RM'000
	2015	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	
<b>Assets</b>								
Cash and short-term funds	3,993,253	979,119	-	-	-	-	-	4,972,372
Deposits and placements with banks and other financial institutions	-	-	2,128,206	1,377,167	835,519	-	-	4,340,892
Securities purchased under resale agreements	2,310,095	8,052,072	1,801,085	-	-	-	-	12,163,252
Financial assets held-for-trading	778,353	553,916	3,132,004	653,347	292,185	1,713,733	-	7,123,538
Financial investments available-for-sale	2,800,134	529,008	756,595	172,563	437,755	11,856,919	817,464	17,370,438
Financial investments held-to-maturity	49	127,012	273,794	20,130	1,276,306	6,921,450	-	8,618,741
Loans, advances and financing	9,854,089	5,929,729	4,965,051	2,463,439	532,197	71,818,988	-	95,563,493
Other assets	426,556	4,342	8,442	11,156	2,413	16,926	680,070	1,149,905
Derivative financial instruments	120,883	304,660	261,789	143,949	114,130	476,160	-	1,421,571
Amount due from subsidiaries	-	-	-	-	-	-	12,984	12,984
Statutory deposits with Central Banks	-	-	-	-	-	-	2,859,590	2,859,590
Subsidiary companies	-	-	-	-	-	-	1,358,443	1,358,443
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	627,784	627,784
Intangible assets	-	-	-	-	-	-	302,801	302,801
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
<b>Total assets</b>	<b>20,283,412</b>	<b>16,479,858</b>	<b>13,326,966</b>	<b>4,841,751</b>	<b>3,490,505</b>	<b>92,804,176</b>	<b>9,453,919</b>	<b>160,680,587</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 46 FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity: (continued)

	The Bank							Total RM'000
	2015							
	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	
<b>Liabilities</b>								
Deposits from customers	44,055,893	20,453,431	21,061,472	13,901,575	19,215,889	3,648,784	-	122,337,044
Deposits and placements of banks and other financial institutions	2,176,976	1,972,999	1,831,223	129,300	22,611	-	-	6,133,109
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	-	-	-	3,691,338
Bills and acceptances payable	276,948	800,712	516,695	15,029	734	-	264,020	1,874,138
Other liabilities	3,068,871	-	-	-	89,442	-	105,693	3,264,006
Derivative financial instruments	115,917	104,406	117,194	161,169	57,348	713,860	-	1,269,894
Senior bonds	-	-	-	-	1,143,718	1,142,662	-	2,286,380
Tier 2 subordinated bonds	-	-	713,113	499,568	1,006,669	2,000,157	-	4,219,507
Non-innovative Tier 1 stapled securities	-	-	-	-	1,410,869	-	-	1,410,869
Innovative Tier 1 capital securities	-	-	-	-	-	530,223	-	530,223
Taxation	-	-	-	-	-	-	160,243	160,243
Deferred tax liabilities	-	-	-	-	-	-	75,672	75,672
<b>Total liabilities</b>	<b>49,996,275</b>	<b>24,305,785</b>	<b>26,233,610</b>	<b>15,128,159</b>	<b>22,947,280</b>	<b>8,035,686</b>	<b>605,628</b>	<b>147,252,423</b>
Total equity	-	-	-	-	-	-	13,428,164	13,428,164
<b>Total liabilities and equity</b>	<b>49,996,275</b>	<b>24,305,785</b>	<b>26,233,610</b>	<b>15,128,159</b>	<b>22,947,280</b>	<b>8,035,686</b>	<b>14,033,792</b>	<b>160,680,587</b>
<b>Net liquidity gap</b>	<b>(29,712,863)</b>	<b>(7,825,927)</b>	<b>(12,906,644)</b>	<b>(10,286,408)</b>	<b>(19,456,775)</b>	<b>84,768,490</b>		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

	The Group					
	2016					
	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
<b>Financial liabilities</b>						
Deposits from customers	83,580,380	24,145,665	37,926,373	4,266,104	550,166	150,468,688
Deposits and placements of banks and other financial institutions	4,249,201	3,142,329	95,215	-	-	7,486,745
Obligations on securities sold under repurchase agreements	1,567,165	2,213,440	-	-	-	3,780,605
Bills and acceptances payable	305,688	3,244	1,665	-	-	310,597
Other liabilities	3,688,728	-	-	-	-	3,688,728
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(4,345,877)	(4,249,119)	(5,254,768)	(2,881,709)	(1,842,714)	(18,574,187)
- Outflow	4,397,314	4,405,410	5,558,625	3,364,296	1,910,265	19,635,910
- Net settled derivatives	24,788	39,267	289,987	529,559	13,892	897,493
Senior bonds	-	-	1,247,555	-	-	1,247,555
Tier 2 subordinated bonds	-	-	110,805	2,621,731	-	2,732,536
Innovative Tier 1 capital securities	-	21,021	20,229	603,295	-	644,545
Borrowings	1,631	3,244	14,467	173,790	344,982	538,114
<b>Total financial liabilities</b>	<b>93,469,018</b>	<b>29,724,501</b>	<b>40,010,153</b>	<b>8,677,066</b>	<b>976,591</b>	<b>172,857,329</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Group					
	2015					
	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
<b>Financial liabilities</b>						
Deposits from customers	74,027,452	25,757,369	38,442,677	4,207,897	788,250	143,223,645
Deposits and placements of banks and other financial institutions	5,862,950	3,546,850	396,966	-	-	9,806,766
Obligations on securities sold under repurchase agreements	974,431	2,297,078	422,363	-	-	3,693,872
Bills and acceptances payable	1,363,567	499,991	-	-	-	1,863,558
Other liabilities	3,750,369	-	-	-	-	3,750,369
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(5,777,363)	(3,392,551)	(2,623,202)	(160,842)	(2,501,210)	(14,455,168)
- Outflow	5,678,898	3,301,757	2,503,936	152,778	2,561,772	14,199,141
- Net settled derivatives	4,345	38,921	80,443	147,354	44,256	315,319
Senior bonds	-	21,468	1,192,374	1,171,139	-	2,384,981
Tier 2 subordinated bonds	-	716,835	1,666,531	2,732,536	-	5,115,902
Non-innovative Tier 1 stapled securities	-	-	1,470,894	-	-	1,470,894
Innovative Tier 1 capital securities	-	20,795	20,568	644,545	-	685,908
<b>Total financial liabilities</b>	<b>85,884,649</b>	<b>32,808,513</b>	<b>43,573,550</b>	<b>8,895,407</b>	<b>893,068</b>	<b>172,055,187</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank					
	2016					
	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
<b>Financial liabilities</b>						
Deposits from customers	70,882,393	19,224,389	32,898,042	3,768,819	550,166	127,323,809
Deposits and placements of banks and other financial institutions	3,736,381	2,829,175	95,215	-	-	6,660,771
Obligations on securities sold under repurchase agreements	1,567,165	2,213,440	-	-	-	3,780,605
Bills and acceptances payable	292,582	2,899	1,383	-	-	296,864
Other liabilities	3,396,953	-	-	-	-	3,396,953
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(4,197,152)	(4,018,504)	(5,194,374)	(2,881,709)	(1,842,714)	(18,134,453)
- Outflow	4,247,996	4,166,697	5,497,169	3,364,296	1,910,265	19,186,423
- Net settled derivatives	24,651	38,624	285,896	510,742	13,892	873,805
Senior bonds	-	-	1,247,555	-	-	1,247,555
Tier 2 subordinated bonds	-	-	91,500	2,183,436	-	2,274,936
Innovative Tier 1 capital securities	-	21,021	20,229	603,295	-	644,545
<b>Total financial liabilities</b>	<b>79,950,969</b>	<b>24,477,741</b>	<b>34,942,615</b>	<b>7,548,879</b>	<b>631,609</b>	<b>147,551,813</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Bank					
	2015					
	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
<b>Financial liabilities</b>						
Deposits from customers	64,773,417	21,316,137	33,622,836	3,239,817	788,250	123,740,457
Deposits and placements of banks and other financial institutions	4,946,546	2,779,592	76,112	-	-	7,802,250
Obligations on securities sold under repurchase agreements	974,431	2,297,078	422,363	-	-	3,693,872
Bills and acceptances payable	1,338,945	499,991	-	-	-	1,838,936
Other liabilities	3,105,949	-	-	-	-	3,105,949
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(5,392,576)	(3,129,459)	(2,474,850)	(160,842)	(2,501,210)	(13,658,937)
- Outflow	5,301,142	3,044,588	2,353,097	152,778	2,561,772	13,413,377
- Net settled derivatives	4,345	37,438	80,526	136,696	44,256	303,261
Senior bonds	-	21,468	1,192,374	1,171,139	-	2,384,981
Tier 2 subordinated bonds	-	716,835	1,647,278	2,274,936	-	4,639,049
Non-innovative Tier 1 stapled securities	-	-	1,470,894	-	-	1,470,894
Innovative Tier 1 capital securities	-	20,795	20,568	644,545	-	685,908
<b>Total financial liabilities</b>	<b>75,052,199</b>	<b>27,604,463</b>	<b>38,411,198</b>	<b>7,459,069</b>	<b>893,068</b>	<b>149,419,997</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and Bank's commitments and contingencies:

The Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>2016</b>			
Direct credit substitutes	119,525	1,153	120,678
Short-term self liquidating trade related contingencies	370,876	48,970	419,846
Irrevocable commitments to extend credit	17,512,946	16,125,180	33,638,126
Unutilised credit card lines	7,503,020	-	7,503,020
<b>Total commitments and contingencies</b>	<b>25,506,367</b>	<b>16,175,303</b>	<b>41,681,670</b>

<b>2015</b>			
Direct credit substitutes	117,309	95,674	212,983
Short-term self liquidating trade related contingencies	390,349	9,009	399,358
Irrevocable commitments to extend credit	17,262,934	18,158,775	35,421,709
Unutilised credit card lines	7,426,036	-	7,426,036
<b>Total commitments and contingencies</b>	<b>25,196,628</b>	<b>18,263,458</b>	<b>43,460,086</b>

The Bank	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>2016</b>			
Direct credit substitutes	116,371	70	116,441
Short-term self liquidating trade related contingencies	350,651	40,031	390,682
Irrevocable commitments to extend credit	15,734,240	12,612,922	28,347,162
Unutilised credit card lines	7,503,020	-	7,503,020
<b>Total commitments and contingencies</b>	<b>23,704,282</b>	<b>12,653,023</b>	<b>36,357,305</b>

<b>2015</b>			
Direct credit substitutes	116,324	95,254	211,578
Short-term self liquidating trade related contingencies	386,098	-	386,098
Irrevocable commitments to extend credit	15,610,783	14,680,331	30,291,114
Unutilised credit card lines	7,426,036	-	7,426,036
<b>Total commitments and contingencies</b>	<b>23,539,241</b>	<b>14,775,585</b>	<b>38,314,826</b>

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk

#### (i) Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

	The Group	
	2016 RM'000	2015 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)	<b>8,310,628</b>	8,704,643
Securities purchased under resale agreements	<b>4,056,670</b>	12,163,252
Financial assets and investments portfolios (exclude shares, redeemable preference shares and wholesale fund):		
- Financial assets held-for-trading	<b>5,308,437</b>	7,128,040
- Financial investments available-for-sale	<b>18,923,553</b>	16,689,888
- Financial investments held-to-maturity	<b>11,739,235</b>	9,895,546
Loans, advances and financing	<b>119,458,051</b>	112,124,109
Other assets	<b>1,585,333</b>	1,203,869
Derivative assets	<b>1,012,367</b>	1,424,929
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	<b>41,681,670</b>	43,460,086
<b>Total maximum credit risk exposure</b>	<b>212,075,944</b>	212,794,362

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (i) Maximum exposure to credit risk (continued)

	The Bank	
	2016 RM'000	2015 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	6,673,083	7,880,149
Securities purchased under resale agreements	4,056,670	12,163,252
Financial assets and investments portfolios (exclude shares, redeemable preference shares and wholesale fund):		
- Financial assets held-for-trading	5,113,484	7,120,144
- Financial investments available-for-sale	16,896,447	13,752,973
- Financial investments held-to-maturity	9,973,184	8,564,206
Loans, advances and financing	100,059,119	95,563,493
Other assets	1,352,243	1,084,861
Amount due from subsidiaries	14,476	12,984
Derivative assets	999,038	1,421,571
Credit risk exposure relating to off-balance sheet items:		
Credit related commitments and contingencies	36,357,305	38,314,826
<b>Total maximum credit risk exposure</b>	<b>181,495,049</b>	<b>185,878,459</b>

#### (ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

- Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- Land and buildings
- Aircrafts, vessels and automobiles
- Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- Endowment life policies with cash surrender value
- Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is 84.05% (2015: 81.61%) and 83.81% (2015: 81.25%) respectively. The financial effects of collateral held for the remaining financial assets are insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (iii) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

#### (a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	<b>112,213,031</b>	104,613,678	<b>94,259,009</b>	89,494,643
Past due but not impaired	<b>7,435,026</b>	7,856,652	<b>5,958,004</b>	6,373,915
Individually impaired	<b>956,579</b>	947,960	<b>836,568</b>	822,800
Gross loans, advances and financing	<b>120,604,636</b>	113,418,290	<b>101,053,581</b>	96,691,358
Unamortised fair value changes arising from terminated fair value hedges	<b>(784)</b>	(2,188)	<b>26</b>	547
Less: Allowance for impaired loans, advances and financing				
- Individual assessment allowance	<b>(289,744)</b>	(322,960)	<b>(280,216)</b>	(305,924)
- Collective assessment allowance	<b>(856,057)</b>	(969,033)	<b>(714,272)</b>	(822,488)
Net loans, advances and financing	<b>119,458,051</b>	112,124,109	<b>100,059,119</b>	95,563,493

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (iii) Credit quality (continued)

##### (a) Loans, advances and financing (continued)

###### (i) Loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's and the Bank's credit grading system is as follows:

		The Group		The Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Consumer loans/financing</b>					
<u>Risk Grade</u>					
Good		80,222,051	72,422,243	67,104,530	61,143,795
Weakest		382,298	587,566	374,844	481,434
		<b>80,604,349</b>	<b>73,009,809</b>	<b>67,479,374</b>	<b>61,625,229</b>
<b>Corporates loans/financing</b>					
<u>Risk Grade</u>	<u>Credit Quality</u>				
A	Exceptional	1,015,687	899,588	479,981	482,200
B+	Superior	2,829,101	3,723,977	2,212,047	2,930,601
B	Excellent	5,361,051	5,945,468	4,705,633	5,421,756
B-	Strong	5,921,342	5,119,426	5,110,505	4,429,041
C+	Good	5,945,392	5,484,968	5,407,145	5,154,936
C	Satisfactory	7,046,394	6,670,357	5,742,515	6,076,918
C-	Fair	2,575,544	2,575,284	2,293,147	2,358,154
D+	Adequate	509,732	734,607	447,908	712,883
D	Marginal	88,609	45,745	85,144	44,845
Un-graded		315,830	404,449	295,610	258,080
		<b>31,608,682</b>	<b>31,603,869</b>	<b>26,779,635</b>	<b>27,869,414</b>
Total neither past due nor impaired		<b>112,213,031</b>	<b>104,613,678</b>	<b>94,259,009</b>	<b>89,494,643</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (iii) Credit quality (continued)

##### (a) Loans, advances and financing (continued)

###### (ii) Loans, advances and financing past due but not impaired

A financial asset is defined as “past due” when the counterparty has failed to make a principal or interest payment when contractually due.

Loans, advances and financing less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Past due less than 30 days	5,176,331	5,427,934	4,185,974	4,413,044
Past due 30 to less than 60 days	1,681,913	1,734,968	1,312,643	1,390,828
Past due 60 to less than 90 days	576,782	693,750	459,387	570,043
Past due but not impaired	7,435,026	7,856,652	5,958,004	6,373,915

###### (iii) Loans, advances and financing that are determined to be impaired as at 30 June 2016 and 30 June 2015 are as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross amount of impaired loans	956,579	947,960	836,568	822,800
Less: Individual assessment impairment allowance	(289,744)	(322,960)	(280,216)	(305,924)
Less: Collective assessment impairment allowance	(228,903)	(247,267)	(180,201)	(205,503)
Total net amount impaired loans	437,932	377,733	376,151	311,373

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (iii) Credit quality (continued)

##### (b) Other financial assets

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2016, based on Moody's ratings or its equivalent are as follows:

The Group 2016	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
<b>Neither past due nor impaired</b>							
AAA to AA3	1,442,426	-	356,530	6,399,776	325,165	-	99,518
A1 to A3	3,470,836	-	562,145	4,363,738	-	-	664,886
Baa1 to Baa3	23,364	-	20,599	782,136	-	-	26,411
P1 to P3	-	-	5,028	10,159	-	-	-
Non-rated	3,374,002	4,056,670	4,364,135	7,367,744	11,414,070	1,585,333	221,552
	<b>8,310,628</b>	<b>4,056,670</b>	<b>5,308,437</b>	<b>18,923,553</b>	<b>11,739,235</b>	<b>1,585,333</b>	<b>1,012,367</b>

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

\* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consist of government securities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (iii) Credit quality (continued)

##### (b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2015, based on Moody's ratings or its equivalent are as follows:

The Group 2015	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
<b>Neither past due nor impaired</b>							
AAA to AA3	453,102	-	300,289	6,709,973	145,903	-	94,151
A1 to A3	4,688,270	-	366,584	3,140,243	-	-	754,039
Baa1 to Baa3	548,661	-	13,557	354,755	-	-	24,422
P1 to P3	200,172	-	-	50,025	-	-	27
Non-rated	2,814,438	12,163,252	6,447,610	6,434,892	9,749,643	1,203,869	552,290
	8,704,643	12,163,252	7,128,040	16,689,888	9,895,546	1,203,869	1,424,929

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

\* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consist of government securities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (iii) Credit quality (continued)

##### (b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2016, based on Moody's ratings or its equivalent are as follows:

The Bank 2016	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
<b>Neither past due nor impaired</b>								
AAA to AA3	1,191,804	-	356,530	5,553,555	314,937	-	-	99,519
A1 to A3	3,134,241	-	562,145	4,275,009	-	-	-	641,274
Baa1 to Baa3	7,076	-	20,599	778,091	-	-	-	26,411
P1 to P3	-	-	5,028	10,159	-	-	-	-
Non-rated	2,339,962	4,056,670	4,169,182	6,279,633	9,658,247	1,352,243	14,476	231,834
	<b>6,673,083</b>	<b>4,056,670</b>	<b>5,113,484</b>	<b>16,896,447</b>	<b>9,973,184</b>	<b>1,352,243</b>	<b>14,476</b>	<b>999,038</b>

The amount of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

\* Placements with banks and other financial institutions with no ratings mainly comprise placements with BNM.

^ Comprises securities purchased under resale agreements with local financial institutions.

# Securities with no ratings consist of government securities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

#### (iii) Credit quality (continued)

##### (b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2015, based on Moody's ratings or its equivalent are as follows:

The Bank 2015	Short-term funds and deposits and placements with banks and other financial institutions <sup>*</sup> RM'000	Securities purchased under resale agreements <sup>^</sup> RM'000	Financial assets held-for- trading <sup>#</sup> RM'000	Financial investments available- for-sale <sup>#</sup> RM'000	Financial investments held-to- maturity <sup>#</sup> RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000
<b>Neither past due nor impaired</b>								
AAA to AA3	452,725	-	300,289	5,961,658	89,787	-	-	79,874
A1 to A3	4,671,783	-	366,584	3,056,289	-	-	-	754,039
Baa1 to Baa3	548,027	-	13,557	354,755	-	-	-	24,422
P1 to P3	200,172	-	-	50,025	-	-	-	27
Non-rated	2,007,442	12,163,252	6,439,714	4,330,246	8,474,419	1,084,861	12,984	563,209
	7,880,149	12,163,252	7,120,144	13,752,973	8,564,206	1,084,861	12,984	1,421,571

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.

#### (iv) Repossessed collaterals

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Industrial and residential properties, lands and automobiles	147,249	143,412	131,629	119,621

Reposessed 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 reposessed collaterals for its business use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below:

	The Group										
	2016										
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn commitments and other facilities RM'000	Guarantees, loan endorsements and other contingent items RM'000
Agriculture	-	-	50,191	60,575	-	2,800,195	-	-	2,910,961	896,679	1,184
Mining and quarrying	-	-	-	41,383	-	347,776	-	-	389,159	186,823	-
Manufacturing	-	-	-	48,842	-	8,921,822	-	-	8,970,664	6,497,895	145,388
Electricity, gas and water	-	-	40,759	2,042,133	-	167,402	-	-	2,250,294	183,603	-
Construction	-	-	-	659,642	-	2,293,560	-	-	2,953,202	1,568,446	15,391
Wholesale and retail	-	-	-	-	-	10,027,519	-	-	10,027,519	6,158,637	202,727
Transport, storage and communications	-	-	249,500	504,818	-	2,418,559	-	-	3,172,877	505,001	5,408
Finance, insurance, real estate and business services	6,392,869	-	4,423,969	9,594,022	30,356	9,350,683	1,565,034	1,012,367	32,369,300	3,724,003	164,971
Government and government agencies	1,917,759	4,056,670	544,018	5,669,293	11,708,879	-	20,299	-	23,916,918	-	202
Education, health and others	-	-	-	-	-	2,113,462	-	-	2,113,462	468,984	-
Household	-	-	-	-	-	79,874,894	-	-	79,874,894	20,522,701	1,387
Others	-	-	-	302,845	-	1,142,179	-	-	1,445,024	428,374	3,866
	8,310,628	4,056,670	5,308,437	18,923,553	11,739,235	119,458,051	1,585,333	1,012,367	170,394,274	41,141,146	540,524

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Group										
	2015										
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, loan endorsements and other contingent items RM'000
Agriculture	-	-	-	85,860	-	2,844,898	-	-	2,930,758	984,783	1,738
Mining and quarrying	-	-	-	76,322	-	358,799	-	-	435,121	184,917	-
Manufacturing	-	-	5,036	117,185	-	8,859,936	-	-	8,982,157	6,240,230	180,134
Electricity, gas and water	-	-	55,390	1,509,380	-	152,818	-	-	1,717,588	124,169	-
Construction	-	-	-	664,990	-	2,045,909	-	-	2,710,899	1,622,774	10,362
Wholesale and retail	-	-	-	-	-	9,691,885	-	-	9,691,885	5,623,431	175,792
Transport, storage and communications	-	-	20,432	583,859	-	1,754,451	-	-	2,358,742	575,145	13,217
Finance, insurance, real estate and business services	7,083,332	-	5,913,920	8,416,254	32,792	10,556,583	1,189,857	1,424,929	34,617,667	4,121,785	225,437
Government and government agencies	1,621,311	12,163,252	1,131,370	4,961,943	9,862,754	-	14,012	-	29,754,642	-	650
Education, health and others	-	-	-	-	-	1,150,107	-	-	1,150,107	697,050	562
Household	-	-	-	-	-	73,352,548	-	-	73,352,548	22,202,262	4,449
Others	-	-	1,892	274,095	-	1,356,175	-	-	1,632,162	471,199	-
	8,704,643	12,163,252	7,128,040	16,689,888	9,895,546	112,124,109	1,203,869	1,424,929	169,334,276	42,847,745	612,341

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank											
	2016											
	Short-term placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Loans, advances and financing RM'000	Other assets subsidaries RM'000	Amount due from subsidaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, loan endorsements and other contingent items RM'000
Agriculture	-	-	50,191	60,575	-	2,030,291	-	-	-	2,141,057	687,356	205
Mining and quarrying	-	-	-	41,383	-	339,709	-	-	-	381,092	184,043	-
Manufacturing	-	-	-	48,842	-	8,185,600	-	-	-	8,234,442	5,713,345	143,558
Electricity, gas and water	-	-	40,759	1,826,416	-	105,662	-	-	-	1,972,837	122,980	-
Construction	-	-	-	538,036	-	1,966,893	-	-	-	2,504,929	1,282,654	13,665
Wholesale and retail communications	-	-	-	-	-	9,347,686	-	-	-	9,347,686	5,770,151	187,065
Transport, storage and communications	-	-	249,500	468,917	-	1,961,584	-	-	-	2,680,001	484,069	3,718
Finance, insurance, real estate and business services	5,557,549	-	4,374,088	9,092,506	522,079	7,766,411	1,332,046	14,476	999,038	29,658,193	2,958,850	155,714
Government and government agencies	1,115,534	4,056,670	398,946	4,531,060	9,451,105	-	20,197	-	-	19,573,512	-	202
Education, health and others	-	-	-	-	-	1,494,432	-	-	-	1,494,432	225,866	-
Household	-	-	-	-	-	66,123,896	-	-	-	66,123,896	18,035,891	1,387
Others	-	-	-	288,712	-	736,955	-	-	-	1,025,667	384,977	1,609
	6,673,083	4,056,670	5,113,484	16,896,447	9,973,184	100,059,119	1,352,243	14,476	999,038	145,137,744	35,850,182	507,123



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 46 FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets are set out below: (continued)

	The Bank											
	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Amount due from subsidiaries RM'000	Derivative assets RM'000	Total credit risk exposures RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
Agriculture	-	-	-	85,860	-	2,220,238	-	-	-	2,306,098	689,158	1,738
Mining and quarrying	-	-	-	76,322	-	355,353	-	-	-	431,675	181,021	-
Manufacturing	-	-	5,036	90,780	-	8,297,051	-	-	-	8,392,867	5,725,163	178,871
Electricity, gas and water	-	-	55,390	1,225,873	-	93,385	-	-	-	1,374,648	119,209	-
Construction	-	-	-	549,583	-	1,778,983	-	-	-	2,328,566	1,385,905	10,362
Wholesale and retail	-	-	-	-	-	9,166,055	-	-	-	9,166,055	5,337,556	172,004
Transport, storage and communications	-	-	20,432	568,585	-	1,286,499	-	-	-	1,875,516	537,512	13,217
Finance, insurance, real estate and business services	7,761,316	-	6,282,366	7,880,521	521,944	8,994,937	1,070,930	12,984	1,421,571	33,946,569	3,404,342	216,404
Government and government agencies	118,833	12,163,252	755,028	3,019,177	8,042,262	-	13,931	-	-	24,112,483	-	650
Education, health and others	-	-	-	-	-	662,833	-	-	-	662,833	308,268	205
Household	-	-	-	-	-	61,608,692	-	-	-	61,608,692	19,597,001	4,225
Others	-	-	1,892	256,272	-	1,099,467	-	-	-	1,357,631	432,015	-
	7,880,149	12,163,252	7,120,144	13,752,973	8,564,206	95,563,493	1,084,861	12,984	1,421,571	147,563,633	37,717,150	597,676

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statements of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

### (a) Determination of fair value and fair value hierarchy

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	The Group			
	2016 Fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Recurring fair value measurements</b>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	4,436,353	-	4,436,353
- Quoted securities	490,522	-	-	490,522
- Unquoted securities	-	383,366	-	383,366
Financial investments available-for-sale				
- Money market instrument	-	5,358,792	-	5,358,792
- Quoted securities	12,093,044	-	-	12,093,044
- Unquoted securities	-	8,004,154	427,328	8,431,482
Derivative financial instruments	11	1,004,361	7,995	1,012,367
	<b>12,583,577</b>	<b>19,187,026</b>	<b>435,323</b>	<b>32,205,926</b>
<b>Financial Liabilities</b>				
Derivative financial instruments	1,564	1,540,323	7,995	1,549,882
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,421,919	-	1,421,919
	<b>1,564</b>	<b>2,962,242</b>	<b>7,995</b>	<b>2,971,801</b>

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 (2015: RM Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Group			Total RM'000
	2015 Fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>Recurring fair value measurements</b>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	6,534,085	-	6,534,085
- Quoted securities	379,216	-	-	379,216
- Unquoted securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	5,149,771	-	5,149,771
- Quoted securities	9,055,856	-	-	9,055,856
- Unquoted securities	-	5,706,839	394,887	6,101,726
Derivative financial instruments	42	1,417,935	6,952	1,424,929
	9,435,114	19,026,763	401,839	28,863,716
<b>Financial Liabilities</b>				
Derivative financial instruments	2,959	1,277,815	6,952	1,287,726
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,551,946	-	1,551,946
	2,959	2,829,761	6,952	2,839,672

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(a) Determination of fair value and fair value hierarchy (continued)**

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Bank			
	2016 Fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Recurring fair value measurements</b>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	4,241,400	-	4,241,400
- Quoted securities	490,522	-	-	490,522
- Unquoted securities	-	383,366	-	383,366
Financial investments available-for-sale				
- Money market instrument	-	4,145,607	-	4,145,607
- Quoted securities	12,000,271	-	-	12,000,271
- Unquoted securities	-	7,283,006	427,328	7,710,334
Derivative financial instruments	11	991,032	7,995	999,038
	<b>12,490,804</b>	<b>17,044,411</b>	<b>435,323</b>	<b>29,970,538</b>
<b>Financial Liabilities</b>				
Derivative financial instruments	1,564	1,522,570	7,995	1,532,129
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,010,784	-	1,010,784
	<b>1,564</b>	<b>2,533,354</b>	<b>7,995</b>	<b>2,542,913</b>

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 (2015: RM Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Bank			Total RM'000
	2015 Fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>Recurring fair value measurements</b>				
<b>Financial Assets</b>				
Financial assets held-for-trading				
- Money market instrument	-	6,526,189	-	6,526,189
- Quoted securities	379,216	-	-	379,216
- Unquoted securities	-	218,133	-	218,133
Financial investments available-for-sale				
- Money market instrument	-	3,066,263	-	3,066,263
- Quoted securities	8,896,320	-	-	8,896,320
- Unquoted securities	-	5,012,968	394,887	5,407,855
Derivative financial instruments	42	1,414,577	6,952	1,421,571
	9,275,578	16,238,130	401,839	25,915,547
<b>Financial Liabilities</b>				
Derivative financial instruments	2,959	1,259,983	6,952	1,269,894
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,222,384	-	1,222,384
	2,959	2,482,367	6,952	2,492,278

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

The Group 2016	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	394,887	6,952	6,952
Fair value changes recognised in statements of income	-	(3,023)	(3,023)
Net fair value changes recognised in other comprehensive income	32,441	-	-
Purchases	-	4,171	4,171
Disposal	-	(105)	(105)
At 30 June	427,328	7,995	7,995
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2016	-	(3,023)	(3,023)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2016	32,441	-	-

The Bank 2016	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	394,887	6,952	6,952
Fair value changes recognised in statements of income	-	(3,023)	(3,023)
Net fair value changes recognised in other comprehensive income	32,441	-	-
Purchases	-	4,171	4,171
Disposal	-	(105)	(105)
At 30 June	427,328	7,995	7,995
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2016	-	(3,023)	(3,023)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2016	32,441	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below (continued):

The Group 2015	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	367,316	-	-
Fair value changes recognised in statements of income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchases	-	7,432	7,432
Disposal	(25)	-	-
At 30 June	394,887	6,952	6,952
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	27,596	-	-

The Bank 2015	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	367,269	-	-
Fair value changes recognised in statements of income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,618	-	-
Purchases	-	7,432	7,432
At 30 June	394,887	6,952	6,952
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	27,618	-	-



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

#### Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	The Group Fair value assets RM'000	The Bank Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
<b>2016</b>						
<b>Financial investments available-for-sale</b>						
Unquoted shares	427,328	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
<b>Derivative financial instruments</b>						
Equity derivatives	7,995	(7,995)	Monte Carlo Simulation	Equity volatility	+19% to +48%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-51% to +75%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

#### Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (continued)

Description	The Group Fair value assets RM'000	The Bank Fair value liabilities RM'000	Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
<b>2015</b>						
<b>Financial investments available-for-sale</b>						
Unquoted shares	394,887	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
<b>Derivative financial instruments</b>						
Equity derivatives	6,952	(6,952)	Monte Carlo Simulation	Equity volatility	+18% to +43%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity / FX Correlation between underlyers	-43% to +96%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Determination of fair value and fair value hierarchy (continued)

#### Sensitivity analysis for Level 3

The Group and the Bank 2016	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
<b>Financial assets</b>			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	617
		-10%	(569)
	Equity / FX Correlation	+10%	137
		-10%	(110)
	Total*		75
<b>Financial liabilities</b>			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(617)
		-10%	569
	Equity / FX Correlation	+10%	(137)
		-10%	110
	Total*		(75)

\* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

The Group and the Bank 2015	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Statements of income Favourable/(Unfavourable) changes RM'000
<b>Financial assets</b>			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	1,669
		-10%	(2,127)
	Equity / FX Correlation	+10%	323
		-10%	(772)
	Total*		(907)
<b>Financial liabilities</b>			
Derivative financial instruments			
- Equity derivatives	Equity volatility	+10%	(1,669)
		-10%	2,127
	Equity / FX Correlation	+10%	(323)
		-10%	772
	Total*		907

\* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial instruments, but for which fair value is disclosed. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	2016		2015	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>The Group</b>				
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	11,269,014	11,302,838	9,849,757	9,803,584
- Unquoted securities	502,820	498,195	100,324	99,654
Loans, advances and financing	119,458,051	119,420,041	112,124,109	112,219,078
	<b>131,229,885</b>	<b>131,221,074</b>	122,074,190	122,122,316
<b>Financial Liabilities</b>				
Deposits from customers				
- At amortised cost	147,101,995	148,018,742	138,724,202	139,066,086
Senior bonds	1,215,643	1,224,557	2,286,380	2,316,079
Tier 2 subordinated bonds	2,401,322	2,401,480	4,619,812	4,611,365
Non-innovative Tier 1 stapled securities	-	-	1,410,869	1,420,865
Innovative Tier 1 capital securities	521,512	565,528	530,223	579,348
	<b>151,240,472</b>	<b>152,210,307</b>	147,571,486	147,993,743
<b>The Bank</b>				
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	9,513,145	9,534,720	8,564,206	8,520,382
- Unquoted securities	492,639	487,988	54,535	54,481
Loans, advances and financing	100,059,119	99,971,492	95,563,493	95,612,109
	<b>110,064,903</b>	<b>109,994,200</b>	104,182,234	104,186,972
<b>Financial Liabilities</b>				
Deposits from customers				
- At amortised cost	125,229,993	126,026,857	121,114,660	121,427,700
Senior bonds	1,215,643	1,224,557	2,286,380	2,316,079
Tier 2 subordinated bonds	2,000,840	2,000,200	4,219,507	4,214,165
Non-innovative Tier 1 stapled securities	-	-	1,410,869	1,420,865
Innovative Tier 1 capital securities	521,512	565,528	530,223	579,348
	<b>128,967,988</b>	<b>129,817,142</b>	129,561,639	129,958,157

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****(b) Fair values of financial instruments not carried at fair value (continued)**

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2016 but for which fair value is disclosed:

<b>The Group</b>				
<b>2016</b>				
	<b>Carrying Amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Fair Value Level 2 RM'000</b>	<b>Level 3 RM'000</b>
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	11,269,014	-	11,302,838	-
- Unquoted securities	502,820	-	497,660	535
Loans, advances and financing	119,458,051	-	119,420,041	-
	<b>131,229,885</b>	<b>-</b>	<b>131,220,539</b>	<b>535</b>
<b>Financial Liabilities</b>				
Deposits from customers				
- At amortised cost	147,101,995	-	148,018,742	-
Senior bonds	1,215,643	-	1,224,557	-
Tier 2 subordinated bonds	2,401,322	-	2,401,480	-
Innovative Tier 1 capital securities	521,512	-	565,528	-
	<b>151,240,472</b>	<b>-</b>	<b>152,210,307</b>	<b>-</b>
<b>The Bank</b>				
<b>2016</b>				
	<b>Carrying Amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Fair Value Level 2 RM'000</b>	<b>Level 3 RM'000</b>
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	9,513,145	-	9,534,720	-
- Unquoted securities	492,639	-	487,453	535
Loans, advances and financing	100,059,119	-	99,971,492	-
	<b>110,064,903</b>	<b>-</b>	<b>109,993,665</b>	<b>535</b>
<b>Financial Liabilities</b>				
Deposits from customers				
- At amortised cost	125,229,993	-	126,026,857	-
Senior bonds	1,215,643	-	1,224,557	-
Tier 2 subordinated bonds	2,000,840	-	2,000,200	-
Innovative Tier 1 capital securities	521,512	-	565,528	-
	<b>128,967,988</b>	<b>-</b>	<b>129,817,142</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at 30 June 2015 but for which fair value is disclosed:

	The Group			
	Carrying Amount RM'000	2015		
		Level 1 RM'000	Fair Value Level 2 RM'000	Level 3 RM'000
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	9,849,757	-	9,803,584	-
- Unquoted securities	100,324	-	99,170	484
Loans, advances and financing	112,124,109	-	112,219,078	-
	122,074,190	-	122,121,832	484
<b>Financial Liabilities</b>				
Deposits from customers				
- At amortised cost	138,724,202	-	139,066,086	-
Senior bonds	2,286,380	-	2,316,079	-
Tier 2 subordinated bonds	4,619,812	-	4,611,365	-
Non-innovative Tier 1 stapled securities	1,410,869	-	1,420,865	-
Innovative Tier 1 capital securities	530,223	-	579,348	-
	147,571,486	-	147,993,743	-
<b>The Bank</b>				
		2015		
	Carrying Amount RM'000	Level 1 RM'000	Fair Value Level 2 RM'000	Level 3 RM'000
<b>Financial Assets</b>				
Financial investments held-to-maturity				
- Money market	8,564,206	-	8,520,382	-
- Unquoted securities	54,535	-	53,997	484
Loans, advances and financing	95,563,493	-	95,612,109	-
	104,182,234	-	104,186,488	484
<b>Financial Liabilities</b>				
Deposits from customers				
- At amortised cost	121,114,660	-	121,427,700	-
Senior bonds	2,286,380	-	2,316,079	-
Tier 2 subordinated bonds	4,219,507	-	4,214,165	-
Non-innovative Tier 1 stapled securities	1,410,869	-	1,420,865	-
Innovative Tier 1 capital securities	530,223	-	579,348	-
	129,561,639	-	129,958,157	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value methodologies and assumptions

#### Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying values are reasonable estimates of their fair values. For short-term funds and placements with maturities six months and above, estimated fair values are based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

#### Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

#### Securities held at fair value through profit or loss, available-for-sale and held-to-maturity

The estimated fair values are 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 values by using valuation techniques.

#### Loans, advances and financing

For floating rate loans, the carrying values are generally reasonable estimates of their fair values. For fixed rate loans, the fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

#### Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

#### Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

#### Subordinated obligations, senior bonds, stapled securities and capital securities

The fair values of subordinated obligations, senior bonds, stapled securities and capital securities are based on quoted market prices where available.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value methodologies and assumptions (continued)

#### Other financial assets and liabilities

The carrying values less any estimated allowances 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 values of these items were not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

#### Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 48 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	The Group				The Bank					
	Gross amount of recognised financial assets/liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash received/pledged RM'000	Related amount not set off in the statements of financial position	Gross amount of recognised financial assets/liabilities in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash received/pledged RM'000	Net amount RM'000
<b>2016</b>										
<b>Financial assets</b>										
Derivatives	1,026,051	1,012,367	(612,667)	(143,539)	256,161	1,012,722	(13,684)	999,038	(143,539)	260,009
Reverse repurchase agreements	4,563,431	4,056,670	(4,056,670)	-	-	4,563,431	(506,761)	4,056,670	(4,056,670)	-
Total	5,589,482	5,069,037	(4,669,337)	(143,539)	256,161	5,576,153	(520,445)	5,055,708	(4,652,160)	260,009
<b>Financial liabilities</b>										
Derivatives	1,563,566	1,549,882	(612,667)	(511,621)	425,594	1,545,813	(13,684)	1,532,129	(595,490)	425,018
Repurchase agreements	4,001,664	3,494,903	(3,254,893)	(12,664)	227,346	4,001,664	(506,761)	3,494,903	(3,254,893)	227,346
Total	5,565,230	5,044,785	(3,867,560)	(524,285)	652,940	5,547,477	(520,445)	5,027,032	(3,850,383)	652,364
<b>2015</b>										
<b>Financial assets</b>										
Derivatives	1,467,127	1,424,929	(683,928)	(148,534)	592,467	1,463,769	(42,198)	1,421,571	(678,014)	595,023
Reverse repurchase agreements	12,670,084	12,163,252	(12,163,252)	-	-	12,670,084	(506,832)	12,163,252	(12,163,252)	-
Total	14,137,211	13,588,181	(12,847,180)	(148,534)	592,467	14,133,853	(549,030)	13,584,823	(12,841,266)	595,023
<b>Financial liabilities</b>										
Derivatives	1,329,924	1,287,726	(683,928)	(400,768)	203,030	1,312,092	(42,198)	1,269,894	(678,014)	191,112
Repurchase agreements	4,198,170	3,691,338	(2,532,086)	(85,799)	1,073,453	4,198,170	(506,832)	3,691,338	(2,532,086)	1,073,453
Total	5,528,094	4,979,064	(3,216,014)	(486,567)	1,276,483	5,510,262	(549,030)	4,961,232	(3,210,100)	1,264,565

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 49 CAPITAL ADEQUACY

The Group's and the Bank's regulatory capital is governed by BNM 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) issued on 28 November 2012 and its revised version on 13 October 2015 (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 minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total capital ratio are 4.50%, 6.00% and 8.00% respectively. 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. There is no BNM announcement on the CCyB rates yet.

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	
	2016	2015	2016	2015
<b>Before deducting proposed dividends</b>				
CET I capital ratio	<b>13.176%</b>	11.147%	<b>12.493%</b>	9.861%
Tier I capital ratio	<b>13.577%</b>	12.297%	<b>12.961%</b>	11.179%
Total capital ratio	<b>15.104%</b>	14.715%	<b>14.858%</b>	14.226%
<b>After deducting proposed dividends</b>				
CET I capital ratio	<b>12.745%</b>	10.750%	<b>11.991%</b>	9.406%
Tier I capital ratio	<b>13.146%</b>	11.900%	<b>12.458%</b>	10.724%
Total capital ratio	<b>14.673%</b>	14.318%	<b>14.355%</b>	13.771%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 49 CAPITAL ADEQUACY (CONTINUED)

(b) The components of CET 1, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CET I capital</b>				
Paid-up share capital	2,167,718	1,879,909	2,167,718	1,879,909
Share premium	5,571,345	2,872,183	5,571,345	2,872,183
Retained profits	8,412,365	7,819,514	6,035,024	5,653,204
Other reserves	4,939,875	4,363,914	3,727,869	3,219,396
Less: Treasury shares	(735,040)	(648,588)	(735,040)	(648,588)
Less: Deferred tax assets	(3,957)	-	-	-
Less: Other intangible assets	(264,766)	(318,107)	(246,784)	(302,801)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/ associated company/joint venture	(1,993,586)	(1,242,626)	(1,531,798)	(952,672)
<b>Total CET I capital</b>	<b>16,262,642</b>	<b>12,894,887</b>	<b>13,216,787</b>	<b>9,949,084</b>
<b>Additional Tier I capital</b>				
Non-innovative Tier I stapled securities	-	980,000	-	980,000
Innovative Tier I capital securities	494,142	350,000	494,142	350,000
<b>Total additional Tier I capital</b>	<b>494,142</b>	<b>1,330,000</b>	<b>494,142</b>	<b>1,330,000</b>
<b>Total Tier I capital</b>	<b>16,756,784</b>	<b>14,224,887</b>	<b>13,710,929</b>	<b>11,279,084</b>
<b>Tier II capital</b>				
Collective assessment allowance <sup>^</sup> and regulatory reserves <sup>#</sup>	1,214,681	1,109,877	1,029,079	951,123
Subordinated bonds	1,999,411	3,552,000	1,999,411	3,552,000
<b>Tier II capital before regulatory adjustments</b>	<b>3,214,092</b>	<b>4,661,877</b>	<b>3,028,490</b>	<b>4,503,123</b>
Less: Investment in subsidiary companies/ associated company/joint venture	(1,329,057)	(1,863,940)	(1,021,198)	(1,429,008)
<b>Total Tier II capital</b>	<b>1,885,035</b>	<b>2,797,937</b>	<b>2,007,292</b>	<b>3,074,115</b>
<b>Total capital</b>	<b>18,641,819</b>	<b>17,022,824</b>	<b>15,718,221</b>	<b>14,353,199</b>

<sup>^</sup> Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

<sup>#</sup> Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM587,527,000 (2015: RM 388,112,000) and RM495,008,000 (2015: RM 334,138,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 49 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Credit risk	111,838,090	105,009,787	95,233,431	91,202,163
Market risk	3,951,986	3,052,311	3,857,577	3,065,215
Operational risk	7,633,295	7,620,076	6,698,869	6,627,632
<b>Total RWA</b>	<b>123,423,371</b>	<b>115,682,174</b>	<b>105,789,877</b>	<b>100,895,010</b>

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	2016	2015
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.383%	11.323%
Tier I capital ratio	10.383%	11.323%
Total capital ratio	13.855%	15.240%
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.383%	11.253%
Tier I capital ratio	10.383%	11.253%
Total capital ratio	13.855%	15.170%

## 50 SEGMENT REPORTING

### Business segment reporting

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products and services offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associate, Joint Venture and Representative Office. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 50 SEGMENT REPORTING (CONTINUED)

### Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<b>2016</b>							
Revenue							
- external	2,568,774	456,826	1,358,805	218,177	(182,079)	(242,641)	4,177,862
- inter-segment	(218,444)	493,542	(749,448)	-	474,350	-	-
Segment revenue	2,350,330	950,368	609,357	218,177	292,271	(242,641)	4,177,862
Overhead expenses of which:	(1,306,192)	(280,783)	(105,779)	(184,086)	(210,445)	485	(2,086,800)
Depreciation of property and equipment	50,911	3,100	10,750	6,271	12,377	103	83,512
Amortisation of intangible assets	9,680	2,638	946	2,796	56,778	-	72,838
(Allowance for)/write-back of allowance for impairment losses on loans, advances and financing	(49,138)	5,779	-	(9,401)	-	154	(52,606)
Write-back of impairment losses on financial investments	-	8,684	1,056	98	-	-	9,838
Share of results of associated company	-	-	-	312,178	-	-	312,178
Share of results in joint venture	-	-	-	21,227	-	-	21,227
Segment results	995,000	684,048	504,634	358,193	81,826	(242,002)	2,381,699
Taxation							(478,282)
Net profit for the financial year							1,903,417
Segment assets	83,495,783	30,868,878	55,173,253	11,250,947	-	-	180,788,861
Unallocated assets							9,039,354
<b>Total assets</b>							<b>189,828,215</b>
Segment liabilities	84,995,552	42,440,956	27,962,940	10,403,393	-	-	165,802,841
Unallocated liabilities							2,908,227
<b>Total liabilities</b>							<b>168,711,068</b>
<b>Other significant segment items</b>							
Capital expenditure	77,213	4,545	13,703	20,021	693,885	-	809,367

Inter-segment transfer is based on internally computed cost of funds.

#### Note:

1. Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
2. Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 50 SEGMENT REPORTING (CONTINUED)

### Business segment reporting (continued)

The Group	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<b>2015</b>							
Revenue							
- external	2,539,832	487,640	1,272,474	191,446	(227,681)	(196,763)	4,066,948
- inter-segment	(163,238)	409,241	(775,398)	-	529,395	-	-
Segment revenue	2,376,594	896,881	497,076	191,446	301,714	(196,763)	4,066,948
Overhead expenses of which:	(1,238,717)	(253,241)	(95,597)	(172,170)	(54,577)	443	(1,813,859)
Depreciation of property and equipment	64,489	3,266	11,773	4,203	(13,054)	142	70,819
Amortisation of intangible assets	9,489	2,626	851	1,999	54,522	-	69,487
(Allowance for)/write-back of allowance for impairment losses on loans, advances and financing	(52,896)	120,461	-	(15,636)	-	-	51,929
Write-back of impairment losses on financial investments	-	21,321	1,751	390	-	-	23,462
Share of results of associated company	-	-	-	401,277	-	-	401,277
Share of results in joint venture	-	-	-	16,401	-	-	16,401
Segment results	1,084,981	785,422	403,230	421,708	247,137	(196,320)	2,746,158
Taxation							(512,971)
Net profit for the financial year							2,233,187
Segment assets	77,317,312	31,191,829	56,337,222	10,234,054	-	-	175,080,417
Unallocated assets							8,939,318
<b>Total assets</b>							184,019,735
Segment liabilities	75,578,408	44,306,974	30,648,424	9,459,977	-	-	159,993,783
Unallocated liabilities							7,236,360
<b>Total liabilities</b>							167,230,143
<b>Other significant segment items</b>							
Capital expenditure	62,040	7,038	8,821	20,264	134,666	-	232,829

Inter-segment transfer is based on internally computed cost of funds.

#### Note:

- Total segment revenue comprises net interest income, income from Islamic Banking business and non-interest income.
- Unallocated assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 50 SEGMENT REPORTING (CONTINUED)

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and treasury business.

The Group	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
<b>2016</b>				
Malaysia	3,959,685	178,577,268	158,307,675	789,346
Overseas operations	218,177	11,250,947	10,403,393	20,021
	<b>4,177,862</b>	<b>189,828,215</b>	<b>168,711,068</b>	<b>809,367</b>
<b>2015</b>				
Malaysia	3,875,502	173,785,681	157,770,166	212,565
Overseas operations	191,446	10,234,054	9,459,977	20,264
	4,066,948	184,019,735	167,230,143	232,829

## 51 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 3 July 2015, the Bank announced that it had on 3 July 2015 entered into a conditional share sale agreement (“SSA”) with Hong Leong Real Estate Holdings Sdn Bhd for the proposed acquisition of the entire issued and paid-up share capital of DCT for an indicative cash consideration of RM189.3 million, subject to adjustments (if any) pursuant to the terms of the SSA (the “Acquisition”).

DCT is principally a property investment company, holding the development and ownership rights in respect of a 33-storey purpose-built stratified office building currently referred to as Office Tower A which is located within the on-going integrated development project known as Damansara City Kuala Lumpur.

On 30 June 2016, the Bank announced that the Acquisition had been completed with the purchase price determined at RM168.8 million, subject to adjustments (if any) arising from the finalisation of the audit of DCT’s financial statements. Accordingly, DCT has become a wholly-owned subsidiary of the Bank.

- (b) On 10 August 2015, the Bank announced that it had on 10 August 2015 fully redeemed the RM700.0 million 4.85% Tier 2 Subordinated Notes issued by the Bank on 10 August 2010.
- (c) On 12 August 2015, Hong Leong Investment Bank Berhad (“HLIB”) announced on behalf of the Bank that the Bank proposed to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in the Bank (“Rights Shares”) to the Bank’s shareholders to raise gross proceeds of up to RM3.0 billion (“Proposed HLB Rights Issue”).

The Proposed HLB Rights Issue is conditional upon approvals being obtained from the following:

- (i) BNM, for the increase in the issued and paid-up share capital of the Bank pursuant to the Proposed HLB Rights Issue, which was obtained on 11 August 2015 via its letter dated 10 August 2015;
- (ii) Bursa Securities, for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 51 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

The Proposed HLB Rights Issue is conditional upon approvals being obtained from the following (continued):

- (iii) the shareholders of the Bank at an extraordinary general meeting ("EGM"); and
- (iv) other relevant authorities/parties, if required.

Bursa Securities had, through its letter dated 10 September 2015, resolved to approve the listing of and quotation for up to 399,800,000 Rights Shares on the Main Market of Bursa Securities and the shareholders of the Bank had, at the EGM held on 29 September 2015, approved the Proposed HLB Rights Issue.

On 23 October 2015, HLIB, on behalf of the Bank, announced that the issue price for the Rights Shares had been fixed at RM10.40 each at an entitlement basis of 4 Rights Shares for every 25 existing ordinary shares of RM1.00 each ("HLB Shares") held by the Bank's entitled shareholders.

Based on 1,798,807,400 HLB Shares in issue (excluding treasury shares), the Proposed HLB Rights Issue resulted in the issuance of 287,809,184 new HLB Shares, raising gross proceeds of approximately RM2,993.2 million.

The Proposed HLB Rights Issue was completed on 28 December 2015 following the listing and quotation of the 287,809,184 new HLB shares on the main market of Bursa Malaysia Securities Berhad on 28 December 2015.

The Bank's issued and paid-up capital was increased from 1,879,909,100 to 2,167,718,284 HLB Shares as a result of the Proposed HLB Rights Issue.

- (d) On 30 December 2015, the Bank announced that it had fully redeemed the RM500.0 million 4.75% Subordinated MTNs. The RM500.0 million Subordinated MTNs were previously issued by Promino Sdn Bhd on 30 December 2010, and were vested to the Bank effective 1 July 2011.
- (e) On 17 March 2016, the Bank announced that it had fully redeemed the USD300.0 million Senior Bond bearing interest rate of 3.75% semi-annually.
- (f) Pursuant to Section 168(3) of the Companies Act, 1965, the Companies Commission of Malaysia had on 11 July 2016 granted its approval for HLBVN, a wholly-owned subsidiary of the Bank incorporated in the Socialist Republic of Vietnam, to have a different financial year end from its holding company. The financial year end of HLBVN is 31 December as required under the Law on Credit Institutions of Vietnam.
- (g) Pursuant to Section 168(3) of the Companies Act, 1965, the Companies Commission of Malaysia had on 11 July 2016 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.
- (h) On 5 May 2016, the Bank announced that it had fully redeemed the RM1.0 billion nominal value of Tier 2 Subordinated Notes bearing coupon rate of 4.35% per annum issued by the Bank on 5 May 2011.
- (i) On 5 May 2016, the Bank announced that it had fully redeemed the RM1.4 billion Non-Innovative Tier 1 Stapled Securities bearing coupon rate of 5.05% per annum issued by the Bank on 5 May 2011.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 52 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements.

## 53 EQUITY COMPENSATION BENEFITS

### Executive Share Scheme

The Bank has established and implemented an Executive Share Scheme.

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

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

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 issued and paid-up ordinary share capital (excluding treasury shares) of the Bank at any one time.
4. The exercise of the options under the ESOS 2013/2023 or the vesting of shares under the ESGS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

#### (i) ESOS 2013/2023

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

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

The ESOS 2013/2023 would provide an opportunity for eligible executives who had contributed to the growth and development of the HLB Group to participate in the equity of the Bank.

The main features of the ESOS 2013/2023 are, inter alia, as follows:

1. The option price for the options to be granted under the ESOS 2013/2023 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of the Bank.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 53 EQUITY COMPENSATION BENEFITS (CONTINUED)

The Bank has established and implemented an Executive Share Scheme (continued).

(a) ESS (continued)

(i) ESOS 2013/2023 (continued)

- The options granted to an option holder under the ESOS 2013/2023 is exercisable by the option holder during his employment or directorship with the HLB Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the year ended 30 June 2016, a total of 782,657 (2015: 37,550,000) options have been granted under the ESOS 2013/2023 with 21,764,746 (2015: 36,300,000) options remain outstanding. The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2018 ("FY 2018"). The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of FY 2018. The exercise period of the vested options will be up to the 30th month from the vesting date to be determined at the end of FY 2018.

The ordinary share options of the Bank granted under the ESOS 2013/2023 that are still outstanding for the financial year ended 30 June 2016 is as follows:

37,550,000 share options at an exercise price of RM14.24 (exercise price adjusted to RM13.77 for rights issue):

2016 Grant date	Expiry date	As at 1-Jul-15	Adjustment for rights issue	Expired	Forfeited	Exercised	Outstanding As at 30-Jun-16	Exercisable As at 30-Jun-16
2 April 2015	December 2018	14,520,000	313,063	-	(6,127,165)	-	8,705,898	-
2 April 2015	December 2019	14,520,000	313,063	-	(6,127,165)	-	8,705,898	-
2 April 2015	December 2020	7,260,000	156,531	-	(3,063,581)	-	4,352,950	-
		<b>36,300,000</b>	<b>782,657</b>	<b>-</b>	<b>(15,317,911)</b>	<b>-</b>	<b>21,764,746</b>	<b>-</b>

2015 Grant date	Expiry date	As at 1-Jul-14	Granted	Expired	Forfeited	Exercised	Outstanding As at 30-Jun-15	Exercisable As at 30-Jun-15
2 April 2015	December 2018	-	15,020,000	-	(500,000)	-	14,520,000	-
2 April 2015	December 2019	-	15,020,000	-	(500,000)	-	14,520,000	-
2 April 2015	December 2020	-	7,510,000	-	(250,000)	-	7,260,000	-
		<b>-</b>	<b>37,550,000</b>	<b>-</b>	<b>(1,250,000)</b>	<b>-</b>	<b>36,300,000</b>	<b>-</b>

On 30 November 2015 ("modified grant date"), the options exercise price was adjusted and additional options were granted due to the rights issue exercise pursuant to the ESS Bye-Laws.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 53 EQUITY COMPENSATION BENEFITS (CONTINUED)

The Bank has established and implemented an Executive Share Scheme (continued)

(a) ESS (continued)

(i) ESOS 2013/2023 (continued)

### Adjustments on exercise price due to Rights Issue

The fair value of share options granted on 2 April 2015 ("grant date") and modified grant date was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. On modified grant date, the incremental fair value was computed to incorporate the adjustments on exercise price due to rights issue. The value of share options and the key inputs for share options valuation before and after rights issue were as follows:

	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	1.42 - 1.67	1.62 - 1.85
Share price at grant date/modified grant date (RM)	14.30	13.56
Exercise price (RM)	14.24	13.77
Weighted average option life at grant date/modified grant date (Years)	4.55	3.89
Expected volatility (%)	11.74	12.21
Weighted average dividend yield (%)	3.29	3.37
Weighted average risk free rate (%)	3.77	4.01

The fair value of share options after the rights issue is inclusive of incremental fair value arising from adjusted exercise price pursuant to the ESS Bye-Laws. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 3.75 to 5.75 years from grant date. The weighted average remaining option life as at 30 June 2016 is 3.30 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 53 EQUITY COMPENSATION BENEFITS (CONTINUED)

The Bank has established and implemented an Executive Share Scheme (continued)

(a) ESS (continued)

(i) ESOS 2013/2023 (continued)

### Adjustments on additional options due to Rights Issue

For the additional options granted on modified grant date due to Rights Issue exercise, the fair value of share options was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. The value of share options and the key inputs for share options valuation were as follows:

	After Rights Issue
Fair value of share options (RM)	1.19 - 1.48
Share price at grant date/modified grant date (RM)	13.56
Exercise price (RM)	13.77
Weighted average option life at grant date (Years)	3.89
Expected volatility (%)	12.21
Weighted average dividend yield (%)	3.37
Weighted average risk free rate (%)	4.01

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from to 3.09 to 5.09 years from grant date. The weighted average remaining option life as at 30 June 2016 is 3.30 years.

During the financial year ended 30 June 2016, the Group and the Bank had recognised share-based compensation expense amounting to RM10.2 million (2015: RM Nil).

(ii) ESGS

The ESGS which was approved by the shareholders of the Bank on 23 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 10 September 2013, the Bank announced that Bursa Malaysia Securities Berhad had resolved to approve in principle the listing of new ordinary shares of the Bank to be issued pursuant to the ESGS.

The ESGS would provide the Bank with the flexibility to reward the eligible executives of the HLB Group for their contribution with awards of the Bank's shares without any consideration payable by the eligible executives.

The 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.

To date, there has been no ESGS rewarded to executives.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 53 EQUITY COMPENSATION BENEFITS (CONTINUED)

The Bank has established and implemented an Executive Share Scheme (continued)

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

A trust has been set up for the ESOS 2006/2016 and ESS (collectively "Schemes") and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the Schemes holdings are recorded as "Treasury Shares for ESOS Scheme" in the Shareholders' Funds on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

The number and market values of the ordinary shares held by the trustee are as follows:

	The Group and The Bank			
	2016		2015	
	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	41,163	542,528	33,373	447,198

### 54 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

#### (a) Allowance for impairment losses on loans, advances and financing

It is the policy of the Group and the Bank to review their loans/financing portfolios and establish, through charges against profit, individual and collective assessment impairment allowances in respect of estimated and inherent credit losses in their portfolio.

In determining individual assessment impairment allowances for loans/financing above the set threshold, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. Whilst, management's judgement is guided by the relevant BNM guidelines, judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations.

### 55 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia. The registered office is at Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 September 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 56 GOODWILL

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>				
As at 1 July/ 30 June	<b>1,831,312</b>	1,831,312	<b>1,771,547</b>	1,771,547

### Allocation of goodwill to cash-generating units ("CGUs")

Goodwill has been allocated to the following CGUs:

	The Group		The Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personal Financial Services	<b>1,188,705</b>	1,188,705	<b>1,149,911</b>	1,149,911
Business & Corporate Banking	<b>479,437</b>	479,437	<b>463,791</b>	463,791
Global Markets	<b>163,170</b>	163,170	<b>157,845</b>	157,845
	<b>1,831,312</b>	1,831,312	<b>1,771,547</b>	1,771,547

### Impairment test for goodwill

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. The recoverable amount of Personal Financial Services, Business & Corporate Banking CGUs is determined based on value-in-use calculation while Global Markets CGU is based on fair value less cost to sell. 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 2016, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

Value-in-use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. This calculation uses pre-tax cash flow projections based on the budget for the financial year ending 2017, which is approved by the Board of Directors. There is a further projection of 4 years (2015: 4 years) based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the 5 year period are extrapolated using an estimated growth rate of 3.6% (2015: 4.8%) representing the forecasted GDP growth rate of the country for all cash generating units.

The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 56 GOODWILL (CONTINUED)

#### Impairment test for goodwill (continued)

The discount rates used in determining the recoverable amount are as follows:

	Discount rate	
	2016 %	2015 %
Personal Financial Services	11.37	9.88
Business & Corporate Banking	11.44	9.91
Global Markets	11.44	9.91

Based on the impairment test performed, impairment was not required for goodwill arising from all CGUs for the financial year ended 30 June 2016. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

### 57 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

	The Group		The Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of Hong Leong Bank Berhad and subsidiaries				
- Realised	5,858,481	5,206,647	5,322,460	4,654,544
- Unrealised	743,693	1,010,241	712,564	998,660
	<b>6,602,174</b>	6,216,888	<b>6,035,024</b>	5,653,204
Total share of retained profits from associated company				
- Realised	2,016,939	1,704,761	-	-
Total share of retained profits from joint venture				
- Realised	50,997	29,770	-	-
	<b>8,670,110</b>	7,951,419	<b>6,035,024</b>	5,653,204
Less: Consolidation adjustment	(257,745)	(131,905)	-	-
Total retained profits	<b>8,412,365</b>	7,819,514	<b>6,035,024</b>	5,653,204

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Domenic Fuda and Tan Kong Khoon, 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 85 to 242 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 30 June 2016 and of the results and cash flows of the Group and the Bank for the financial year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

On behalf of the Board,

**DOMENIC FUDA**

**TAN KONG KHOON**

Kuala Lumpur  
15 September 2016

## STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Foong Pik Yee, the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 85 to 242 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Foong Pik Yee at  
Kuala Lumpur in Wilayah Persekutuan on  
15 September 2016

)  
)  
)  
)

**FOONG PIK YEE**

Before me,

**TAN SEOK KETT**  
Commissioner of Oaths



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HONG LEONG BANK BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Bank Berhad on pages 85 to 242 which comprise the statements of financial position as at 30 June 2016 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 56.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 30 June 2016 and of their financial performance and 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, 1965 in Malaysia.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HONG LEONG BANK BERHAD

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 57 on page 242 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### PRICEWATERHOUSECOOPERS

(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
15 September 2016

### NG YEE LING

(No.3032/01/17 (J))  
Chartered Accountant

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 1. INTRODUCTION

This document discloses Hong Leong Bank Berhad (“HLB” or “the Bank”) and its banking subsidiaries (“the Group”) risk profile, risk management practices in accordance with the disclosure requirement as outline in the Risk-Weighted Capital Adequacy Framework (“RWCAF”) (“Basel II-Disclosure requirements-Pillar 3”) issued by BNM.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM’s Capital Adequacy Framework which sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer (“CCB”) and Counter Cyclical Buffer (“CCyB”). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total capital ratio are 4.50%, 6.00% and 8.00% respectively. 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. There is no BNM announcement on the CCyB rates yet.

The risk-weighted assets (“RWA”) of the Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

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 risk-weighted assets derived from consolidated balances of the Bank and its banking subsidiary, Hong Leong Islamic Bank Berhad (“HLISB”). Islamic Banking business undertaken by HLISB refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The capital adequacy ratios of the Bank and the Group are computed in accordance with BNM’s revised RWCAF–Basel II. The Bank and the Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk Computation.

The Group’s capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as discussed in Note 2A to the financial statements, except where deductions from eligible capital are required under BNM’s RWCAF or where entities meet separation requirements set by BNM.

During the course of the year, the Bank and its banking subsidiaries did not experience any restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

## 3. CAPITAL STRUCTURE AND ADEQUACY

The Group monitors the capital adequacy position of the Bank and its banking subsidiaries to ensure compliance with the requirements of BNM and to take prompt actions to address projected capital deficiency. The capital position is reviewed on a monthly basis by undertaking stress tests and taking into account the levels and trend of material risks. The sufficiency of capital is assessed against the various risks in the balance sheet as well as future capital requirements based on the Group’s expansion plans.

The Group has also formalised an overall capital management framework, which seeks to ensure that it is in line with Basel III Capital Standards.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 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 2016. BNM's revised RWCAF-Basel II sets out the minimum capital adequacy ratios for the banking institutions and the methodology for calculating these ratios. As at 30 June 2016, the Group's and the Bank's CET I, Tier I capital ratio and total capital ratio were higher than BNM's minimum requirements.

The constituents of total eligible capital for the Group and the Bank as at 30 June 2016 are set out in BNM's Capital Adequacy Framework (Capital Components)-Basel III. These include shareholders' funds after regulatory-related adjustments, and eligible capital instruments issued by the Group. Refer to Note 23, Note 24 and Note 25 to the financial statements for the terms and conditions of the main features of these capital instruments.

#### Basel III

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
<b>Before deducting proposed dividends</b>				
CET I capital ratio	<b>13.176%</b>	11.147%	<b>12.493%</b>	9.861%
Tier I capital ratio	<b>13.577%</b>	12.297%	<b>12.961%</b>	11.179%
Total capital ratio	<b>15.104%</b>	14.715%	<b>14.858%</b>	14.226%
<b>After deducting proposed dividends</b>				
CET I capital ratio	<b>12.745%</b>	10.750%	<b>11.991%</b>	9.406%
Tier I capital ratio	<b>13.146%</b>	11.900%	<b>12.458%</b>	10.724%
Total capital ratio	<b>14.673%</b>	14.318%	<b>14.355%</b>	13.771%

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)****Basel III (continued)**

(b) The components of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>CET I capital</b>				
Paid-up share capital	2,167,718	1,879,909	2,167,718	1,879,909
Share premium	5,571,345	2,872,183	5,571,345	2,872,183
Retained profits	8,412,365	7,819,514	6,035,024	5,653,204
Other reserves	4,939,875	4,363,914	3,727,869	3,219,396
Less: Treasury shares	(735,040)	(648,588)	(735,040)	(648,588)
Less: Deferred tax assets	(3,957)	-	-	-
Less: Other intangible assets	(264,766)	(318,107)	(246,784)	(302,801)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/ associated company/joint venture	(1,993,586)	(1,242,626)	(1,531,798)	(952,672)
<b>Total CET I capital</b>	<b>16,262,642</b>	<b>12,894,887</b>	<b>13,216,787</b>	<b>9,949,084</b>
<b>Additional Tier I capital</b>				
Non-Innovative Tier I stapled securities	-	980,000	-	980,000
Innovative Tier I capital securities	494,142	350,000	494,142	350,000
<b>Total additional Tier I capital</b>	<b>494,142</b>	<b>1,330,000</b>	<b>494,142</b>	<b>1,330,000</b>
<b>Total Tier I capital</b>	<b>16,756,784</b>	<b>14,224,887</b>	<b>13,710,929</b>	<b>11,279,084</b>
<b>Tier II capital</b>				
Collective assessment allowance <sup>^</sup> and regulatory reserves <sup>#</sup>	1,214,681	1,109,877	1,029,079	951,123
Subordinated bonds	1,999,411	3,552,000	1,999,411	3,552,000
<b>Tier II capital before regulatory adjustments</b>	<b>3,214,092</b>	<b>4,661,877</b>	<b>3,028,490</b>	<b>4,503,123</b>
Less: Investment in subsidiary companies/ associated company/joint venture	(1,329,057)	(1,863,940)	(1,021,198)	(1,429,008)
<b>Total Tier II capital</b>	<b>1,885,035</b>	<b>2,797,937</b>	<b>2,007,292</b>	<b>3,074,115</b>
<b>Total Capital</b>	<b>18,641,819</b>	<b>17,022,824</b>	<b>15,718,221</b>	<b>14,353,199</b>

<sup>^</sup> Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

<sup>#</sup> Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM587,527,000 (2015: RM388,112,000) and RM495,008,000 (2015: RM334,138,000) respectively.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 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 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Credit risk	111,838,090	105,009,787	95,233,431	91,202,163
Market risk	3,951,986	3,052,311	3,857,577	3,065,215
Operational risk	7,633,295	7,620,076	6,698,869	6,627,632
<b>Total RWA</b>	<b>123,423,371</b>	<b>115,682,174</b>	<b>105,789,877</b>	<b>100,895,010</b>

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	30 June 2016	30 June 2015
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.383%	11.323%
Tier I capital ratio	10.383%	11.323%
Total capital ratio	13.855%	15.240%
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.383%	11.253%
Tier I capital ratio	10.383%	11.253%
Total capital ratio	13.855%	15.170%

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)****Basel III (continued)**

(e) The breakdown of RWA by exposure is as follows:

<b>The Group 30 June 2016</b>	<b>Gross exposures before CRM RM'000</b>	<b>Net exposures after CRM RM'000</b>	<b>Risk weighted assets RM'000</b>	<b>Minimum capital requirements at 8% RM'000</b>
<b>Exposure Class</b>				
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	28,681,915	28,681,915	-	-
Public Sector Entities	198,408	198,408	39,682	3,175
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	11,995,178	11,995,178	3,438,098	275,048
Insurance Cos, Securities Firms ("SF") and Fund Managers ("FM")	26,298	26,298	18,233	1,459
Corporates	38,113,444	36,404,284	32,049,804	2,563,984
Regulatory Retail	48,845,049	48,250,150	36,313,154	2,905,052
Residential Mortgages	38,032,569	38,005,882	15,586,842	1,246,947
Higher Risk Assets	453,968	453,934	680,901	54,472
Other Assets	11,387,149	11,387,149	9,730,014	778,401
Defaulted Exposures	524,197	523,424	621,596	49,728
<b>Total On-Balance Sheet Exposures</b>	<b>178,258,175</b>	<b>175,926,622</b>	<b>98,478,324</b>	<b>7,878,266</b>
<b>Off-Balance Sheet Exposures</b>				
Over-the-counter ("OTC") Derivatives	3,028,969	3,028,969	1,705,273	136,422
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	14,083,185	13,866,192	11,584,810	926,785
Defaulted Exposures	46,455	46,454	69,683	5,575
<b>Total Off-Balance Sheet Exposures</b>	<b>17,158,609<sup>^</sup></b>	<b>16,941,615</b>	<b>13,359,766</b>	<b>1,068,782</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>195,416,784</b>	<b>192,868,237</b>	<b>111,838,090</b>	<b>8,947,048</b>
<b>Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	78,492,001	83,054,735	3,201,649	256,132
Foreign Currency Risk	675,872	577,498	675,872	54,070
Equity Risk	1,804	-	4,960	397
Option Risk	-	-	69,505	5,560
<b>Total</b>	<b>79,169,677</b>	<b>83,632,233</b>	<b>3,951,986</b>	<b>316,159</b>
<b>Operational Risk</b>			<b>7,633,295</b>	<b>610,664</b>
<b>Total RWA and Capital Requirements</b>			<b>123,423,371</b>	<b>9,873,871</b>

**Note:**

CRM - credit risk mitigation

<sup>^</sup> The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 279.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Group 30 June 2015	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
<b>Exposure Class</b>				
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	32,384,483	32,384,483	-	-
Public Sector Entities	132,548	132,548	26,510	2,121
Banks, DFIs and MDBs	12,489,293	12,489,293	4,523,824	361,906
Insurance Cos, SF and FM	18,671	18,671	11,100	888
Corporates	38,589,504	37,051,266	33,356,912	2,668,553
Regulatory Retail	42,003,485	41,453,547	31,216,361	2,497,309
Residential Mortgages	36,558,213	36,524,668	14,604,888	1,168,391
Higher Risk Assets	421,647	421,609	632,414	50,593
Other Assets	7,612,507	7,612,507	5,628,884	450,311
Defaulted Exposures	439,518	436,885	504,884	40,391
<b>Total On-Balance Sheet Exposures</b>	<b>170,649,869</b>	<b>168,525,477</b>	<b>90,505,777</b>	<b>7,240,463</b>
<b>Off-Balance Sheet Exposures</b>				
OTC Derivatives	3,726,852	3,726,852	2,075,041	166,003
Off-Balance Sheet Exposures Other Than Defaulted Exposures	37,002	36,442	54,664	4,373
<b>Total Off-Balance Sheet Exposures</b>	<b>18,903,671<sup>^</sup></b>	<b>18,617,591</b>	<b>14,504,010</b>	<b>1,160,320</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>189,553,540</b>	<b>187,143,068</b>	<b>105,009,787</b>	<b>8,400,783</b>
<b>Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	75,363,192	75,969,833	2,737,925	219,034
Foreign Currency Risk	292,036	284,330	293,117	23,449
Equity Risk	3,394	-	9,335	747
Option Risk	-	-	11,934	955
<b>Total</b>	<b>75,658,622</b>	<b>76,254,163</b>	<b>3,052,311</b>	<b>244,185</b>
<b>Operational Risk</b>			<b>7,620,076</b>	<b>609,606</b>
<b>Total RWA and Capital Requirements</b>			<b>115,682,174</b>	<b>9,254,574</b>

**Note:**

<sup>^</sup> The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 280.



**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)****Basel III (continued)**

(e) The breakdown of RWA by exposure is as follows: (continued)

<b>The Bank 30 June 2016</b>	<b>Gross exposures before CRM RM'000</b>	<b>Net exposures after CRM RM'000</b>	<b>Risk weighted assets RM'000</b>	<b>Minimum capital requirements at 8% RM'000</b>
<b>Exposure Class</b>				
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	23,943,577	23,943,577	-	-
Public Sector Entities	198,408	198,408	39,682	3,175
Banks, DFIs and MDBs	11,338,610	11,338,610	3,431,489	274,519
Insurance Cos, SF and FM	26,298	26,298	18,233	1,459
Corporates	33,217,111	31,888,068	28,196,269	2,255,701
Regulatory Retail	40,522,267	39,946,308	30,012,514	2,401,001
Residential Mortgages	32,285,382	32,261,662	13,129,179	1,050,334
Higher Risk Assets	450,524	450,492	675,738	54,059
Other Assets	9,357,165	9,357,165	7,751,158	620,093
Defaulted Exposures	409,436	408,692	480,754	38,460
<b>Total On-Balance Sheet Exposures</b>	<b>151,748,778</b>	<b>149,819,280</b>	<b>83,735,016</b>	<b>6,698,801</b>
<b>Off-Balance Sheet Exposures</b>				
OTC Derivatives	2,914,922	2,914,922	1,641,207	131,297
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,933,112	11,721,106	9,790,427	783,234
Defaulted Exposures	44,521	44,520	66,781	5,342
<b>Total Off-Balance Sheet Exposures</b>	<b>14,892,555<sup>^</sup></b>	<b>14,680,548</b>	<b>11,498,415</b>	<b>919,873</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>166,641,333</b>	<b>164,499,828</b>	<b>95,233,431</b>	<b>7,618,674</b>
<b>Market Risk</b>	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	74,026,423	78,784,110	3,124,180	249,933
Foreign Currency Risk	658,932	577,498	658,932	52,715
Equity Risk	1,804	-	4,960	397
Option Risk	-	-	69,505	5,560
<b>Total</b>	<b>74,687,159</b>	<b>79,361,608</b>	<b>3,857,577</b>	<b>308,605</b>
<b>Operational Risk</b>			<b>6,698,869</b>	<b>535,909</b>
<b>Total RWA and Capital Requirements</b>			<b>105,789,877</b>	<b>8,463,188</b>

**Note:**

<sup>^</sup> The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 281.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### Basel III (continued)

(e) The breakdown of RWA by exposure is as follows: (continued)

The Bank 30 June 2015	Gross exposures before CRM RM'000	Net exposures after CRM RM'000	Risk weighted assets RM'000	Minimum capital requirements at 8% RM'000
<b>Exposure Class</b>				
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	27,325,573	27,325,573	-	-
Public Sector Entities	132,548	132,548	26,510	2,121
Banks, DFIs and MDBs	12,732,766	12,732,766	4,823,872	385,910
Insurance Cos, SF and FM	16,648	16,648	9,077	726
Corporates	34,281,168	32,787,119	29,709,376	2,376,750
Regulatory Retail	35,321,663	34,790,082	26,140,317	2,091,225
Residential Mortgages	31,108,705	31,079,073	12,387,710	991,017
Higher Risk Assets	417,917	417,882	626,823	50,146
Other Assets	6,347,380	6,347,380	4,359,728	348,778
Defaulted Exposures	374,070	371,468	435,665	34,853
<b>Total On-Balance Sheet Exposures</b>	<b>148,058,438</b>	<b>146,000,539</b>	<b>78,519,078</b>	<b>6,281,526</b>
<b>Off-Balance Sheet Exposures</b>				
OTC Derivatives	3,604,069	3,604,069	2,020,139	161,611
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,025,608	12,746,378	10,609,340	848,747
Defaulted Exposures	36,282	35,737	53,606	4,288
<b>Total Off-Balance Sheet Exposures</b>	<b>16,665,959<sup>^</sup></b>	<b>16,386,184</b>	<b>12,683,085</b>	<b>1,014,646</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>164,724,397</b>	<b>162,386,723</b>	<b>91,202,163</b>	<b>7,296,172</b>
<b>Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	70,374,120	71,734,777	2,754,979	220,397
Foreign Currency Risk	288,967	280,180	288,967	23,117
Equity Risk	3,394	-	9,335	747
Option Risk	-	-	11,934	955
<b>Total</b>	<b>70,666,481</b>	<b>72,014,957</b>	<b>3,065,215</b>	<b>245,216</b>
<b>Operational Risk</b>			6,627,632	530,211
<b>Total RWA and Capital Requirements</b>			<b>100,895,010</b>	<b>8,071,599</b>

**Note:**

<sup>^</sup> The gross exposures before CRM of Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 282.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 4. RISK MANAGEMENT

The Group has implemented an integrated risk management framework with the objective to ensure the overall financial soundness and stability of the Group's business operations. The Group's integrated risk management framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

As part of the integrated risk management framework, the Group has formulated and implemented an Internal Capital Adequacy Assessment Process ("ICAAP") and a capital management framework to ensure that it maintains the appropriate level of capital, the appropriate quality and structure of capital and the appropriate risk profile to support its strategic objectives. This also includes determining the Group's minimum capital threshold and target capital levels.

From a governance perspective, the Board has the overall responsibility to define the Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the Group's integrated risk management framework as well as the attendant capital management framework, risk appetite statement, risk management strategies and risk policies.

Dedicated management level committees are established by the Group to oversee the development and the assessment of effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

Operationally, the Group operates multiple lines of defences to effect a robust control framework. The business units being the first line of defence are responsible for identifying, mitigating and managing risks within their lines of business. The Group Integrated Risk Management & Compliance ("GIRMC") function being the second line of defence, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and mitigation of risks. In addition, GIRMC undertakes compliance validation to ensure that the business and operating units are in compliance to the Group's risk appetite thresholds and to the regulatory requirements. The GIRMC's functions cover the oversight of the following areas:- Market and Liquidity Risk, Credit Portfolio Risk, Technology and Operations Risk, ICAAP and Integrated Stress Testing, Regulatory Compliance and Islamic Banking Risk and Compliance.

The Group Internal Audit function, being the third line of defence, is responsible to provide independent assurance on the effective functioning of the risk management and internal controls framework for the Group.

The risk management process for each key risk area of the Group and the various risk exposures are described in the following sections of the Pillar 3 disclosures.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Bank.

The Group has established a credit risk management framework to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee ("MCC") and endorsed by 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 MCC and the Board Credit Supervisory Committee ("BCSC"). 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 or MCC, with governance oversight from BCSC. The Board delegates approving and discretionary authority to the MCC and the various personnel of the Bank based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off processes to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Group's exposure to credit risk is mainly from its retail customers, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts.

The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

Under the Basel II Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk weighted assets. This is applicable for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios.

The approved External Credit Assessment Institutions ("ECAIs") 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 ECAIs. 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 ECAIs used by the Bank are Fitch Ratings, Moody's Investors Service and Standard & Poor's, Rating and Investment Inc ("R&I"), Malaysia Rating Corporation Berhad ("MARC") and Rating Agency Malaysia ("RAM"). ECAIs ratings are mapped to a common credit quality grade as prescribed by BNM.

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

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**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:

<b>The Group</b>	<b>Malaysia RM'000</b>	<b>Other countries RM'000</b>	<b>Total RM'000</b>
<b>30 June 2016</b>			
<b>On-Balance Sheet Exposures</b>			
Financial assets held-for-trading*	5,125,341	183,096	5,308,437
Financial investments available-for-sale*	16,544,436	2,379,117	18,923,553
Financial investments held-to-maturity	11,288,800	450,435	11,739,235
Loans, advances and financing	113,849,501	5,608,550	119,458,051
Derivative financial instruments	888,774	123,593	1,012,367
<b>Total On-Balance Sheet Exposures</b>	<b>147,696,852</b>	<b>8,744,791</b>	<b>156,441,643</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>			
OTC Derivatives	2,846,370	182,599	3,028,969
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,961,386	168,254	14,129,640
<b>Total Off-Balance Sheet Exposures</b>	<b>16,807,756</b>	<b>350,853</b>	<b>17,158,609</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>164,504,608</b>	<b>9,095,644</b>	<b>173,600,252</b>
<b>30 June 2015</b>			
<b>On-Balance Sheet Exposures</b>			
Financial assets held-for-trading*	6,793,009	335,031	7,128,040
Financial investments available-for-sale*	14,526,782	2,163,106	16,689,888
Financial investments held-to-maturity	9,560,387	335,159	9,895,546
Loans, advances and financing	108,002,056	4,122,053	112,124,109
Derivative financial instruments	1,336,893	88,036	1,424,929
<b>Total On-Balance Sheet Exposures</b>	<b>140,219,127</b>	<b>7,043,385</b>	<b>147,262,512</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>			
OTC Derivatives	3,559,412	167,440	3,726,852
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	14,992,850	183,969	15,176,819
<b>Total Off-Balance Sheet Exposures</b>	<b>18,552,262</b>	<b>351,409</b>	<b>18,903,671</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>158,771,389</b>	<b>7,394,794</b>	<b>166,166,183</b>

**Note:**

(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 279 and page 280.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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
<b>30 June 2016</b>			
<b>On-Balance Sheet Exposures</b>			
Financial assets held-for-trading*	4,930,388	183,096	5,113,484
Financial investments available-for-sale*	14,591,627	2,304,820	16,896,447
Financial investments held-to-maturity	9,620,099	353,085	9,973,184
Loans, advances and financing	95,357,332	4,701,787	100,059,119
Derivative financial instruments	875,914	123,124	999,038
<b>Total On-Balance Sheet Exposures</b>	<b>125,375,360</b>	<b>7,665,912</b>	<b>133,041,272</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>			
OTC Derivatives	2,732,323	182,599	2,914,922
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,809,379	168,254	11,977,633
<b>Total Off-Balance Sheet Exposures</b>	<b>14,541,702</b>	<b>350,853</b>	<b>14,892,555</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>139,917,062</b>	<b>8,016,765</b>	<b>147,933,827</b>
<b>30 June 2015</b>			
<b>On-Balance Sheet Exposures</b>			
Financial assets held-for-trading*	6,785,113	335,031	7,120,144
Financial investments available-for-sale*	11,867,778	1,885,195	13,752,973
Financial investments held-to-maturity	8,439,750	124,456	8,564,206
Loans, advances and financing	92,019,764	3,543,729	95,563,493
Derivative financial instruments	1,333,535	88,036	1,421,571
<b>Total On-Balance Sheet Exposures</b>	<b>120,445,940</b>	<b>5,976,447</b>	<b>126,422,387</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>			
OTC Derivatives	3,436,629	167,440	3,604,069
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	12,877,921	183,969	13,061,890
<b>Total Off-Balance Sheet Exposures</b>	<b>16,314,550</b>	<b>351,409</b>	<b>16,665,959</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>136,760,490</b>	<b>6,327,856</b>	<b>143,088,346</b>

**Note:**

(1) For this table, the Group and the Bank have allocated the loans, advances and financing to geographical areas based on the country where the loans, advances and financing were provided.

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 281 and page 282.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

The Group 30 June 2016	Financial assets held-for- trading <sup>*</sup> RM'000	Financial investments available- for-sale <sup>*</sup> RM'000	Financial investments held-to- maturity RM'000	Loans, advances and financing instruments RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit exposures RM'000	OTC derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
Agriculture	50,191	60,575	-	2,800,195	-	2,910,961	-	294,174	294,174	3,205,135
Mining and quarrying	-	41,383	-	347,776	-	389,159	-	57,346	57,346	446,505
Manufacturing	-	48,842	-	8,921,822	-	8,970,664	-	2,348,304	2,348,304	11,318,968
Electricity, gas and water	40,759	2,042,133	-	167,402	-	2,250,294	-	61,779	61,779	2,312,073
Construction	-	659,642	-	2,293,560	-	2,953,202	-	538,019	538,019	3,491,221
Wholesale and retail Transport, storage and communications	-	-	-	10,027,519	-	10,027,519	-	2,310,799	2,310,799	12,338,318
Finance, insurance, real estate and business services	249,500	504,818	-	2,418,559	-	3,172,877	-	163,275	163,275	3,336,152
Government and government agencies	4,423,969	9,594,022	30,356	9,350,683	1,012,367	24,411,397	3,028,969	1,544,586	4,573,555	28,984,952
Education, health and others	544,018	5,669,293	11,708,879	-	-	17,922,190	-	408	408	17,922,598
Household	-	-	-	2,113,462	-	2,113,462	-	166,273	166,273	2,279,735
Others	-	-	-	79,874,894	-	79,874,894	-	6,506,439	6,506,439	86,381,333
	-	302,845	-	1,142,179	-	1,445,024	-	138,238	138,238	1,583,262
<b>Total On and Off-Balance Sheet Exposures</b>	<b>5,308,437</b>	<b>18,923,553</b>	<b>11,739,235</b>	<b>119,458,051</b>	<b>1,012,367</b>	<b>156,441,643</b>	<b>3,028,969</b>	<b>14,129,640</b>	<b>17,158,609</b>	<b>173,600,252</b>

\* Excludes equity securities

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Group 30 June 2015	Financial assets held-for- trading *	Financial investments available- for-sale *	Financial investments held-to- maturity	Loans, advances and financing	Derivative financial instruments	Total on-balance sheet credit risk exposures	OTC derivatives or credit derivatives	Off-balance sheet exposures other than OTC derivatives or credit derivatives	Total off-balance sheet credit risk exposures	Total on and off-balance sheet credit risk exposures
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	85,860	-	2,844,898	-	2,930,758	-	340,975	340,975	3,271,733
Mining and quarrying	-	76,322	-	358,799	-	435,121	-	58,915	58,915	494,036
Manufacturing	5,036	117,185	-	8,859,936	-	8,982,157	-	2,358,121	2,358,121	11,340,278
Electricity, gas and water	55,390	1,509,380	-	152,818	-	1,717,588	-	39,765	39,765	1,757,353
Construction	-	664,990	-	2,045,909	-	2,710,899	-	554,037	554,037	3,264,936
Wholesale and retail Transport, storage and communications	-	-	-	9,691,885	-	9,691,885	-	2,135,770	2,135,770	11,827,655
Finance, insurance, real estate and business services	20,432	583,859	-	1,754,451	-	2,358,742	-	209,506	209,506	2,568,248
Government and government agencies	5,913,920	8,416,254	32,792	10,556,583	1,424,929	26,344,478	3,726,852	1,801,628	5,528,480	31,872,958
Education, health and others	1,131,370	4,961,943	9,862,754	-	-	15,956,067	-	1,213	1,213	15,957,280
Household	-	-	-	1,150,107	-	1,150,107	-	256,401	256,401	1,406,508
Others	-	-	-	73,352,548	-	73,352,548	-	7,267,917	7,267,917	80,620,465
	1,892	274,095	-	1,356,175	-	1,632,162	-	152,571	152,571	1,784,733
<b>Total On and Off-Balance Sheet Exposures</b>	<b>7,128,040</b>	<b>16,689,888</b>	<b>9,895,546</b>	<b>112,124,109</b>	<b>1,424,929</b>	<b>147,262,512</b>	<b>3,726,852</b>	<b>15,176,819</b>	<b>18,903,671</b>	<b>166,166,183</b>

\* Excludes equity securities



# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank 30 June 2016	Financial assets held-for- trading <sup>*</sup> RM'000	Financial investments available- for-sale <sup>*</sup> RM'000	Financial investments held-to- maturity RM'000	Loans, advances and financing instruments RM'000	Derivative financial instruments RM'000	Total on-balance sheet credit risk exposures RM'000	OTC derivatives RM'000	Off-balance sheet exposures other than OTC derivatives or credit derivatives RM'000	Total off-balance sheet credit risk exposures RM'000	Total on and off-balance sheet credit risk exposures RM'000
Agriculture	50,191	60,575	-	2,030,291	-	2,141,057	-	210,433	210,433	2,351,490
Mining and quarrying	-	41,383	-	339,709	-	381,092	-	56,234	56,234	437,326
Manufacturing	-	48,842	-	8,185,600	-	8,234,442	-	2,035,493	2,035,493	10,269,935
Electricity, gas and water	40,759	1,826,416	-	105,662	-	1,972,837	-	37,576	37,576	2,010,413
Construction	-	538,036	-	1,966,893	-	2,504,929	-	419,496	419,496	2,924,425
Wholesale and retail Transport, storage and communications	-	-	-	9,347,686	-	9,347,686	-	2,140,677	2,140,677	11,488,363
Finance, insurance, real estate and business services	249,500	468,917	-	1,961,584	-	2,680,001	-	155,411	155,411	2,835,412
Government and government agencies	4,374,088	9,092,506	522,079	7,766,411	999,038	22,754,122	2,914,922	1,218,405	4,133,327	26,887,449
Education, health and others	398,946	4,531,060	9,451,105	-	-	14,381,111	-	408	408	14,381,519
Household	-	-	-	1,494,432	-	1,494,432	-	69,013	69,013	1,563,445
Others	-	288,712	-	736,955	-	1,025,667	-	5,513,610	5,513,610	71,637,506
<b>Total On and Off-Balance Sheet Exposures</b>	<b>5,113,484</b>	<b>16,896,447</b>	<b>9,973,184</b>	<b>100,059,119</b>	<b>999,038</b>	<b>133,041,272</b>	<b>2,914,922</b>	<b>11,977,633</b>	<b>14,892,555</b>	<b>147,933,827</b>

\* Excludes equity securities

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows: (continued)

The Bank 30 June 2015	Financial assets held-for- trading*	Financial investments available- for-sale*	Financial investments held-to- maturity	Loans, advances and financing	Derivative financial instruments	Total on-balance sheet credit risk	OTC derivatives	Off-balance sheet exposures other than OTC derivatives	Total on-balance sheet credit risk exposures	Total on and off-balance sheet credit risk exposures
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		85,860	-	2,220,238	-	2,306,098	-	221,545	221,545	2,527,643
Agriculture Mining and quarrying	-	76,322	-	355,353	-	431,675	-	57,341	57,341	489,016
Manufacturing	5,036	90,780	-	8,297,051	-	8,392,867	-	2,147,316	2,147,316	10,540,183
Electricity, gas and water	55,390	1,225,873	-	93,385	-	1,374,648	-	37,761	37,761	1,412,409
Construction	-	549,583	-	1,778,983	-	2,328,566	-	458,344	458,344	2,786,910
Wholesale and retail Transport, storage and communications	-	-	-	9,166,055	-	9,166,055	-	2,011,721	2,011,721	11,177,776
Finance, insurance, real estate and business services	20,432	568,585	-	1,286,499	-	1,875,516	-	194,929	194,929	2,070,445
Government and government agencies	6,282,366	7,880,521	521,944	8,994,937	1,421,571	25,101,339	3,604,069	1,481,281	5,085,350	30,186,689
Education, health and others	755,028	3,019,177	8,042,262	-	-	11,816,467	-	1,213	1,213	11,817,680
Household	-	-	-	662,833	-	662,833	-	98,032	98,032	760,865
Others	1,892	256,272	-	61,608,692	-	61,608,692	-	6,215,559	6,215,559	67,824,251
				1,099,467	-	1,357,631	-	136,848	136,848	1,494,479
<b>Total On and Off-Balance Sheet Exposures</b>	7,120,144	13,752,973	8,564,206	95,563,493	1,421,571	126,422,387	3,604,069	13,061,890	16,665,959	143,088,346

\* Excludes equity securities

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**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:

<b>The Group</b>	<b>Less than 1 year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>30 June 2016</b>				
<b>On-Balance Sheet Exposures</b>				
Financial assets held-for-trading*	3,996,799	916,851	394,787	5,308,437
Financial investments available-for-sale*	2,294,389	13,692,913	2,936,251	18,923,553
Financial investments held-to-maturity	2,952,081	7,501,829	1,285,325	11,739,235
Loans, advances and financing	26,407,376	15,845,634	77,205,041	119,458,051
Derivative financial instruments	362,846	536,925	112,596	1,012,367
<b>Total On-Balance Sheet Exposures</b>	<b>36,013,491</b>	<b>38,494,152</b>	<b>81,934,000</b>	<b>156,441,643</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>				
OTC Derivatives	759,958	1,874,974	394,037	3,028,969
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	6,073,481	8,056,159	-	14,129,640
<b>Total Off-Balance Sheet Exposures</b>	<b>6,833,439</b>	<b>9,931,133</b>	<b>394,037</b>	<b>17,158,609</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>42,846,930</b>	<b>48,425,285</b>	<b>82,328,037</b>	<b>173,600,252</b>
<b>30 June 2015</b>				
<b>On-Balance Sheet Exposures</b>				
Financial assets held-for-trading*	5,037,965	1,263,299	826,776	7,128,040
Financial investments available-for-sale*	2,458,448	12,906,644	1,324,796	16,689,888
Financial investments held-to-maturity	2,309,383	6,508,322	1,077,841	9,895,546
Loans, advances and financing	25,801,007	16,095,313	70,227,789	112,124,109
Derivative financial instruments	945,611	399,901	79,417	1,424,929
<b>Total On-Balance Sheet Exposures</b>	<b>36,552,414</b>	<b>37,173,479</b>	<b>73,536,619</b>	<b>147,262,512</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>				
OTC Derivatives	1,340,732	1,915,941	470,179	3,726,852
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	6,100,655	9,076,164	-	15,176,819
<b>Total Off-Balance Sheet Exposures</b>	<b>7,441,387</b>	<b>10,992,105</b>	<b>470,179</b>	<b>18,903,671</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>43,993,801</b>	<b>48,165,584</b>	<b>74,006,798</b>	<b>166,166,183</b>

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 279 and page 280.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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
<b>30 June 2016</b>				
<b>On-Balance Sheet Exposures</b>				
Financial assets held-for-trading*	3,946,918	906,615	259,951	5,113,484
Financial investments available-for-sale*	2,192,242	11,976,611	2,727,594	16,896,447
Financial investments held-to-maturity	2,989,577	5,946,507	1,037,100	9,973,184
Loans, advances and financing	24,047,000	13,036,234	62,975,885	100,059,119
Derivative financial instruments	343,918	542,524	112,596	999,038
<b>Total On-Balance Sheet Exposures</b>	<b>33,519,655</b>	<b>32,408,491</b>	<b>67,113,126</b>	<b>133,041,272</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>				
OTC Derivatives	732,509	1,788,376	394,037	2,914,922
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,671,171	6,306,462	-	11,977,633
<b>Total Off-Balance Sheet Exposures</b>	<b>6,403,680</b>	<b>8,094,838</b>	<b>394,037</b>	<b>14,892,555</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>39,923,335</b>	<b>40,503,329</b>	<b>67,507,163</b>	<b>147,933,827</b>
<b>30 June 2015</b>				
<b>On-Balance Sheet Exposures</b>				
Financial assets held-for-trading*	5,406,411	1,263,179	450,554	7,120,144
Financial investments available-for-sale*	1,896,054	11,323,309	533,610	13,752,973
Financial investments held-to-maturity	1,697,242	5,887,839	979,125	8,564,206
Loans, advances and financing	23,744,505	13,464,731	58,354,257	95,563,493
Derivative financial instruments	945,412	396,742	79,417	1,421,571
<b>Total On-Balance Sheet Exposures</b>	<b>33,689,624</b>	<b>32,335,800</b>	<b>60,396,963</b>	<b>126,422,387</b>
<b>Off-Balance Sheet Exposures<sup>^</sup></b>				
OTC Derivatives	1,326,685	1,807,205	470,179	3,604,069
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	5,722,401	7,339,489	-	13,061,890
<b>Total Off-Balance Sheet Exposures</b>	<b>7,049,086</b>	<b>9,146,694</b>	<b>470,179</b>	<b>16,665,959</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>40,738,710</b>	<b>41,482,494</b>	<b>60,867,142</b>	<b>143,088,346</b>

\* Excludes equity securities.

<sup>^</sup> Off-Balance Sheet exposures refer to the credit equivalent of Off-Balance Sheet items on page 281 and page 282.

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Loans, advances and financing**

- (i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows:

The Group 30 June 2016	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charge/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
Agriculture	15,631	4,568	45	8,662	(929)	-
Mining and quarrying	5,239	607	-	1,711	(2,778)	419
Manufacturing	66,007	220,327	162,506	33,358	399	7,696
Electricity, gas and water	4,270	29	-	825	-	-
Construction	84,777	21,819	10,304	14,370	(3,522)	848
Wholesale and retail	189,060	114,032	67,227	51,544	6,099	7,592
Transport, storage and communications	44,389	30,017	26,788	7,222	(12,087)	1,906
Finance, insurance, real estate and business services	147,314	119,764	20,109	43,763	8,219	1,897
Education, health and others	26,674	4,528	1,065	71,766	(233)	-
Household	6,811,446	436,106	-	620,669	(41)	-
Others	40,219	4,782	1,700	2,167	427	1,646
	<b>7,435,026</b>	<b>956,579</b>	<b>289,744</b>	<b>856,057</b>	<b>(4,446)</b>	<b>22,004</b>

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Loans, advances and financing (continued)

- (i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows: (continued)

The Group 30 June 2015	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charge/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
Agriculture	18,420	3,621	974	7,741	7,562	10,251
Mining and quarrying	6,096	3,888	3,197	1,801	14	-
Manufacturing	122,394	224,357	169,289	39,120	(13,190)	40,166
Electricity, gas and water	3,648	160	-	646	-	-
Construction	83,274	27,093	17,366	13,666	(3,468)	3,735
Wholesale and retail	179,151	121,886	72,542	47,758	26,454	13,629
Transport, storage and communications	61,191	45,078	40,845	9,257	(31,085)	18,734
Finance, insurance, real estate and business services	177,780	77,959	14,414	47,378	(11,469)	2,711
Education, health and others	34,010	4,454	1,455	4,963	(2,708)	-
Household	7,167,879	432,140	53	795,083	53	-
Others	2,809	7,324	2,825	1,620	(21,982)	43,636
	7,856,652	947,960	322,960	969,033	(49,819)	132,862

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Loans, advances and financing (continued)**

- (i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows: (continued)

<b>The Bank 30 June 2016</b>	<b>Past due loans, advances and financing RM'000</b>	<b>Impaired loans, advances and financing RM'000</b>	<b>Individual assessment impairment allowance RM'000</b>	<b>Collective assessment impairment allowance RM'000</b>	<b>Charge/ (write back) for individual assessment impairment allowance during the year RM'000</b>	<b>Write-offs during the year RM'000</b>
Agriculture	15,427	4,568	45	7,535	(929)	-
Mining and quarrying	5,007	607	-	1,679	(2,778)	419
Manufacturing	61,503	216,294	158,780	30,752	2,942	7,696
Electricity, gas and water	3,968	4	-	360	-	-
Construction	79,020	21,097	10,248	11,373	(1,492)	789
Wholesale and retail	182,698	108,594	63,589	47,542	5,836	7,592
Transport, storage and communications	42,818	29,844	26,788	5,941	(12,087)	1,906
Finance, insurance, real estate and business services	131,859	102,843	19,701	36,243	7,696	635
Education, health and others	25,519	4,505	1,065	5,962	(233)	-
Household	5,370,346	348,061	-	565,361	(41)	-
Others	39,839	151	-	1,524	-	-
	<b>5,958,004</b>	<b>836,568</b>	<b>280,216</b>	<b>714,272</b>	<b>(1,086)</b>	<b>19,037</b>

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Loans, advances and financing (continued)

- (i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance, collective assessment impairment allowance, charge/(write back) for individual assessment impairment allowance during the year and write-offs during the year as follows: (continued)

The Bank 30 June 2015	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000	Charge/ (write back) for individual assessment impairment allowance during the year RM'000	Write-offs during the year RM'000
Agriculture	17,903	3,595	974	7,071	(2,024)	-
Mining and quarrying	5,908	3,792	3,197	1,764	14	-
Manufacturing	114,427	215,220	162,858	36,736	(18,650)	36,559
Electricity, gas and water	3,574	66	-	276	-	-
Construction	75,114	23,264	14,106	11,636	(3,008)	3,735
Wholesale and retail	169,262	113,998	69,127	44,177	26,530	13,629
Transport, storage and communications	55,647	44,943	40,845	7,587	(31,085)	18,734
Finance, insurance, real estate and business services	166,800	58,843	13,309	39,142	(10,860)	2,711
Education, health and others	29,197	4,203	1,455	3,110	(2,708)	-
Household	5,734,633	354,610	53	670,201	53	-
Others	1,450	266	-	788	-	-
	6,373,915	822,800	305,924	822,488	(41,738)	75,368



**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Loans, advances and financing (continued)**

(ii) The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

	Past due loans, advances and financing RM'000	Impaired loans, advances and financing RM'000	Individual assessment impairment allowance RM'000	Collective assessment impairment allowance RM'000
<b>The Group</b>				
<b>30 June 2016</b>				
Malaysia	7,394,286	942,633	282,092	845,588
Other countries	40,740	13,946	7,652	10,469
	<b>7,435,026</b>	<b>956,579</b>	<b>289,744</b>	<b>856,057</b>
<b>30 June 2015</b>				
Malaysia	7,851,208	935,236	319,074	959,692
Other countries	5,444	12,724	3,886	9,341
	<b>7,856,652</b>	<b>947,960</b>	<b>322,960</b>	<b>969,033</b>
<b>The Bank</b>				
<b>30 June 2016</b>				
Malaysia	5,920,261	830,967	274,615	708,532
Other countries	37,743	5,601	5,601	5,740
	<b>5,958,004</b>	<b>836,568</b>	<b>280,216</b>	<b>714,272</b>
<b>30 June 2015</b>				
Malaysia	6,373,915	822,800	305,924	816,334
Other countries	-	-	-	6,154
	<b>6,373,915</b>	<b>822,800</b>	<b>305,924</b>	<b>822,488</b>

**Notes:**

- (1) A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.
- (2) For description of approaches adopted by the Group and the Bank for the determination of individual and collective assessment impairment allowances, refer to Note 2N (i) to the financial statements.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

##### Loans, advances and financing (continued)

(iii) The table below sets out the movements in individual assessment impairment allowance and collective assessment impairment allowance during the financial year as follows:

	The Group		The Bank	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Collective assessment allowance</b>				
At 1 July	969,033	1,076,604	822,488	922,286
Net allowance made during the financial year	263,656	213,457	227,755	189,171
Amount transferred to individual assessment	(109)	(94)	(109)	(94)
Amount written off	(365,615)	(310,003)	(326,899)	(279,587)
Unwinding income	(11,465)	(12,129)	(9,389)	(9,802)
Exchange difference	557	1,198	426	514
At 30 June	856,057	969,033	714,272	822,488
<b>Individual assessment allowance</b>				
At 1 July	322,960	511,453	305,924	433,037
Allowance made during the financial year	57,180	80,769	55,552	63,314
Amount transferred from collective assessment	109	94	109	94
Amount transferred to allowance for impairment losses on securities	(2,566)	(5,274)	(1,450)	(5,274)
Amount written back in respect of recoveries	(61,626)	(130,588)	(56,638)	(105,052)
Amount written off	(22,004)	(132,862)	(19,037)	(75,368)
Unwinding income	(4,404)	(5,360)	(4,203)	(5,057)
Exchange difference	95	4,728	(41)	230
At 30 June	289,744	322,960	280,216	305,924









**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**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 S&P Fitch RAM MARC Rating & Investment Inc	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D	Unrated Unrated Unrated Unrated Unrated
		AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BB- RM'000	B+ to D RM'000	Unrated RM'000
<b>The Group</b>						
<b>30 June 2016</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Public Sector Entities		-	-	-	-	198,408
Insurance Cos, SF and FM		-	16,131	-	-	16,655
Corporates		3,858,614	2,274,376	110,528	589,379	35,396,300
		3,858,614	2,290,507	110,528	589,379	35,611,363
<b>30 June 2015</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Public Sector Entities		-	-	-	-	132,548
Insurance Cos, SF and FM		-	15,142	-	-	11,184
Corporates		3,391,157	1,720,211	465,705	647,136	36,808,150
		3,391,157	1,735,353	465,705	647,136	36,951,882

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAs as follows: (continued)

(i) Ratings of Public Sector Entities, Insurance Cos, SF and FM and Corporates by approved ECAs (continued)

	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-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D	Unrated Unrated Unrated Unrated Unrated
		AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BB- RM'000	B+ to D RM'000	Unrated RM'000
<b>The Bank</b>						
<b>30 June 2016</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Public Sector Entities		-	-	-	-	198,408
Insurance Cos, SF and FM		-	16,130	-	-	12,987
Corporates		3,088,246	2,181,602	101,694	589,379	30,902,160
		<b>3,088,246</b>	<b>2,197,732</b>	<b>101,694</b>	<b>589,379</b>	<b>31,113,555</b>
<b>30 June 2015</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Public Sector Entities		-	-	-	-	132,548
Insurance Cos, SF and FM		-	15,142	-	-	9,011
Corporates		2,672,863	1,636,257	465,705	647,136	32,588,757
		<b>2,672,863</b>	<b>1,651,399</b>	<b>465,705</b>	<b>647,136</b>	<b>32,730,316</b>



## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 4. RISK MANAGEMENT (CONTINUED)

#### (A) Credit risk (continued)

The following tables summarise the rated exposures according to ratings by ECAIs as follows: (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

	Moody's 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- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- 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- BBB+ to BBB- RM'000	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- 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 CCC+ to C RM'000	Unrated Unrated Unrated Unrated Unrated Unrated Unrated RM'000
<b>The Group</b>							
<b>30 June 2016</b>							
<b>Exposure Class</b>							
<b>On and Off-Balance Sheet Exposures</b>							
Sovereigns/ Central Banks							
		1,162,667	-	-	-	-	27,519,248
Banks, MDBs and FDIs							
		3,318,309	3,447,869	992,112	-	-	6,751,745
		4,480,976	3,447,869	992,112	-	-	34,270,993
<b>30 June 2015</b>							
<b>Exposure Class</b>							
<b>On and Off-Balance Sheet Exposures</b>							
Sovereigns/ Central Banks							
		1,440,881	-	-	-	-	30,943,602
Banks, MDBs and FDIs							
		2,827,378	3,063,913	1,585,612	-	-	7,704,957
		4,268,259	3,063,913	1,585,612	-	-	38,648,559

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 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 S & P Fitch RAM MARC Rating & Investment Inc	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B-	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D	Unrated Unrated Unrated Unrated Unrated
		AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BBB- RM'000	BB+ to B- RM'000	CCC+ to C RM'000	Unrated RM'000
<b>The Bank</b>							
<b>30 June 2016</b>							
<b>Exposure Class</b>							
<b>On and Off-Balance Sheet Exposures</b>							
Sovereigns/ Central Banks							
		1,152,462	-	-	-	-	22,791,115
Banks, MDBs and FDIs							
		2,947,925	3,060,381	941,805	-	-	6,796,241
		4,100,387	3,060,381	941,805	-	-	29,587,356
<b>30 June 2015</b>							
<b>Exposure Class</b>							
<b>On and Off-Balance Sheet Exposures</b>							
Sovereigns/ Central Banks							
		1,355,145	-	-	-	-	25,970,428
Banks, MDBs and FDIs							
		2,741,382	2,626,906	1,537,325	-	-	8,404,290
		4,096,527	2,626,906	1,537,325	-	-	34,374,718

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 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

	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
<b>The Group</b>						
<b>30 June 2016</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Banks, DFIs and MDBs		5,934	15,876	15,293	-	-
<b>30 June 2015</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Banks, DFIs and MDBs		244,620	123,996	2,408	-	-
<b>The Bank</b>						
<b>30 June 2016</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Banks, DFIs and MDBs		5,934	14,098	15,293	-	-
<b>30 June 2015</b>						
<b>Exposure Class</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Banks, DFIs and MDBs		244,620	120,547	2,408	-	-

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Credit risk mitigation

The Group's and the Bank's credit principle is principally granting credit facilities on the basis of the borrower's credit standing, repayment and debt servicing ability. Where possible, collateral is taken to mitigate and reduce any credit risk for the particular credit facility extended. The value of the collateral is monitored periodically and where applicable, a revised valuation may be requested from the borrower. The types of collateral accepted range from cash, marketable securities, properties, machineries or equipments, inventory and receivables. In certain cases, corporate guarantees are obtained where the credit worthiness of the corporate borrower is insufficient for amount sought. There are policies and processes in place to monitor collateral concentration. For CRM purposes, only collateral or guarantees that are legally enforceable are taken into account. The credit exposures are computed on a net basis only when there is a legally enforceable netting arrangements for loans and deposits. The Group and the Bank use the Comprehensive Approach for computation of the adjusted exposures.

The following table summarises the breakdown of CRM by exposure as follows:

The Group 30 June 2016	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
<b>Exposure Class</b>			
<b>On-Balance Sheet Exposures</b>			
Sovereigns/Central Banks	28,681,915	-	-
Public Sector Entities	198,408	-	-
Banks, DFIs and MDBs	11,995,178	-	-
Insurance Cos, SF and FM	26,298	-	-
Corporates	38,113,444	350,000	1,359,160
Regulatory Retail	48,845,049	-	594,899
Residential Mortgages	38,032,569	-	26,687
Higher Risk Assets	453,968	-	34
Other Assets	11,387,149	-	-
Defaulted Exposures	524,197	-	773
<b>Total On-Balance Sheet Exposures</b>	<b>178,258,175</b>	<b>350,000</b>	<b>1,981,553</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	3,028,969	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	14,083,185	-	216,993
Defaulted Exposures	46,455	-	1
<b>Total Off-Balance Sheet Exposures</b>	<b>17,158,609</b>	<b>-</b>	<b>216,994</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>195,416,784</b>	<b>350,000</b>	<b>2,198,547</b>

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Credit risk mitigation (continued)**

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Group 30 June 2015	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
<b>Exposure Class</b>			
<b>On-Balance Sheet Exposures</b>			
Sovereigns/Central Banks	32,384,483	-	-
Public Sector Entities	132,548	-	-
Banks, DFIs and MDBs	12,489,293	-	-
Insurance Cos, SF and FM	18,671	-	-
Corporates	38,589,504	-	1,538,238
Regulatory Retail	42,003,485	-	549,938
Residential Mortgages	36,558,213	-	33,545
Higher Risk Assets	421,647	-	38
Other Assets	7,612,507	-	-
Defaulted Exposures	439,518	-	2,633
<b>Total On-Balance Sheet Exposures</b>	<b>170,649,869</b>	<b>-</b>	<b>2,124,392</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	3,726,852	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	15,139,817	-	285,520
Defaulted Exposures	37,002	-	560
<b>Total Off-Balance Sheet Exposures</b>	<b>18,903,671</b>	<b>-</b>	<b>286,080</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>189,553,540</b>	<b>-</b>	<b>2,410,472</b>

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Credit risk mitigation (continued)

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank 30 June 2016	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
<b>Exposure Class</b>			
<b>On-Balance Sheet Exposures</b>			
Sovereigns/Central Banks	23,943,577	-	-
Public Sector Entities	198,408	-	-
Banks, DFIs and MDBs	11,338,610	-	-
Insurance Cos, SF and FM	26,298	-	-
Corporates	33,217,111	-	1,329,043
Regulatory Retail	40,522,267	-	575,959
Residential Mortgages	32,285,382	-	23,720
Higher Risk Assets	450,524	-	32
Other Assets	9,357,165	-	-
Defaulted Exposures	409,436	-	744
<b>Total On-Balance Sheet Exposures</b>	<b>151,748,778</b>	<b>-</b>	<b>1,929,498</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	2,914,922	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	11,933,112	-	212,006
Defaulted Exposures	44,521	-	1
<b>Total Off-Balance Sheet Exposures</b>	<b>14,892,555</b>	<b>-</b>	<b>212,007</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>166,641,333</b>	<b>-</b>	<b>2,141,505</b>

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Credit risk mitigation (continued)**

The following table summarises the breakdown of CRM by exposure as follows: (continued)

The Bank 30 June 2015	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
<b>Exposure Class</b>			
<b>On-Balance Sheet Exposures</b>			
Sovereigns/Central Banks	27,325,573	-	-
Public Sector Entities	132,548	-	-
Banks, DFIs and MDBs	12,732,766	-	-
Insurance Cos, SF and FM	16,648	-	-
Corporates	34,281,168	-	1,494,049
Regulatory Retail	35,321,663	-	531,581
Residential Mortgages	31,108,705	-	29,632
Higher Risk Assets	417,917	-	35
Other Assets	6,347,380	-	-
Defaulted Exposures	374,070	-	2,602
<b>Total On-Balance Sheet Exposures</b>	<b>148,058,438</b>	<b>-</b>	<b>2,057,899</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	3,604,069	-	-
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	13,025,608	-	279,230
Defaulted Exposures	36,282	-	545
<b>Total Off-Balance Sheet Exposures</b>	<b>16,665,959</b>	<b>-</b>	<b>279,775</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>164,724,397</b>	<b>-</b>	<b>2,337,674</b>

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Off-Balance Sheet exposures and counterparty credit risk (continued)

Credit limits are established to ensure that the Group and the Bank are not duly exposed to unnecessary credit risk with parties who are unable to meet or honour their financial obligations with the Group and the Bank.

The counterparty limits for the Group and the Bank are established by taking into consideration the tenor of the obligation, rating assignment of the country, rating assignment of the counterparty, counterparty's shareholder's funds, the Group's and the Bank's shareholder's funds.

The credit exposure limit for derivative transactions is calculated based on the standardised approach by applying a specific percentage of risk factor i.e. the potential loss of the contract value to the counterparty limit for the Group and the Bank, which in general is a fraction of the derivative contract or notional amount used to express the volume of instruments.

To mitigate the counterparty risk for the derivative transactions, the Group and the Bank practice the cash margin call exercise to cover mark-to-market exposures on outstanding derivative positions. The collateral agreement typically includes a minimum threshold amount where additional collateral is required to be called by the Group and the Bank if the mark-to-market exposures exceed the agreed threshold amount.

In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to their customers.

#### Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Group and the Bank to support the financial obligations of their customers to third parties.

Certain transactions related contingent items represent financial products whose crystallisations are dependent on specific events other than default payment by the customers. They include performance related contingencies and standby letter of credit.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been endorsed by the Group and the Bank and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Assets sold with recourse and commitments with certain drawdown represents assets sold by the Group and the Bank with recourse in the event of defects in the assets, and investment or purchase commitments entered into by the Group and the Bank, where drawdown is certain to occur.

Obligations under underwriting agreements arise from underwriting agreements relating to the issuance of equity and debts securities, where the Group and the Bank are obliged to subscribe for or purchase the securities in the event the securities are not taken up when issued.

Irrevocable commitments to extend credit include all obligations on the part of the Group and the Bank to provide funding facilities or the undrawn portion of an approved credit facilities to customers.

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal.



**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Off-Balance Sheet exposures and counterparty credit risk (continued)**

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

The Group 30 June 2016	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
<b>Commitments and Contingent Liabilities</b>				
Direct credit substitutes	120,678	-	116,506	111,964
Transaction related contingent items	1,621,014	-	808,165	755,608
Short term self liquidating trade related contingencies	766,350	-	151,698	146,337
Irrevocable commitments to extend credit:				
- More than one year	16,125,180	-	8,056,158	6,404,208
- Less than one year	17,512,946	-	3,496,509	3,109,610
Unutilised credit card lines	7,503,020	-	1,500,604	1,126,766
	<b>43,649,188</b>	<b>-</b>	<b>14,129,640</b>	<b>11,654,493</b>
<b>Derivative Financial Contracts</b>				
Foreign exchange related contracts:				
- Less than one year	27,999,735	341,965	683,088	499,980
- One year to less than five years	4,950,940	276,316	638,390	294,088
- Five years and above	846,826	96,432	238,779	170,282
Interest/profit rate related contracts:				
- Less than one year	33,951,130	12,995	51,001	24,901
- One year to less than five years	36,296,189	259,625	1,218,617	608,659
- Five years and above	1,877,411	16,164	155,259	77,629
Equity related contracts:				
- Less than one year	291,457	7,011	24,497	17,503
- One year to less than five years	212,299	984	17,968	10,984
Commodity related contracts:				
- Less than one year	4,949	875	1,370	1,247
- One year to less than five years	-	-	-	-
	<b>106,430,936</b>	<b>1,012,367</b>	<b>3,028,969</b>	<b>1,705,273</b>
	<b>150,080,124</b>	<b>1,012,367</b>	<b>17,158,609</b>	<b>13,359,766</b>

\* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Off-Balance Sheet exposures and counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Group 30 June 2015	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
<b>Commitments and Contingent Liabilities</b>				
Direct credit substitutes	212,983	-	212,355	208,841
Transaction related contingent items	1,606,465	-	802,298	750,147
Short term self liquidating trade related contingencies	755,587	-	151,016	143,513
Irrevocable commitments to extend credit:				
- More than one year	18,158,775	-	9,076,840	7,149,490
- Less than one year	17,262,934	-	3,449,103	3,090,640
Unutilised credit card lines	7,426,036	-	1,485,207	1,086,338
	45,422,780	-	15,176,819	12,428,969
<b>Derivative Financial Contracts</b>				
Foreign exchange related contracts:				
- Less than one year	31,118,946	918,847	1,281,601	846,111
- One year to less than five years	4,409,157	208,713	616,963	271,283
- Five years and above	819,693	67,332	211,675	147,548
Interest/profit rate related contracts:				
- Less than one year	21,887,447	23,602	34,332	16,705
- One year to less than five years	42,671,138	187,094	1,290,064	640,595
- Five years and above	2,129,631	12,084	258,505	129,253
Equity related contracts:				
- Less than one year	360,330	3,075	24,565	16,667
- One year to less than five years	102,937	3,877	8,235	6,118
Commodity related contracts:				
- Less than one year	1,471	87	234	198
- One year to less than five years	3,826	218	678	563
	103,504,576	1,424,929	3,726,852	2,075,041
	148,927,356	1,424,929	18,903,671	14,504,010

\* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

**BASEL II PILLAR 3 DISCLOSURES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

**4. RISK MANAGEMENT (CONTINUED)****(A) Credit risk (continued)****Off-Balance Sheet exposures and counterparty credit risk (continued)**

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

<b>The Bank 30 June 2016</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount* RM'000</b>	<b>Risk Weighted Assets* RM'000</b>
<b>Commitments and Contingent Liabilities</b>				
Direct credit substitutes	116,441	-	116,441	111,899
Transaction related contingent items	1,519,689	-	759,844	707,287
Short term self liquidating trade related contingencies	737,179	-	147,435	142,074
Irrevocable commitments to extend credit:				
- More than one year	12,612,922	-	6,306,461	4,988,280
- Less than one year	15,734,240	-	3,146,848	2,780,902
Unutilised credit card lines	7,503,020	-	1,500,604	1,126,766
	<b>38,223,491</b>	<b>-</b>	<b>11,977,633</b>	<b>9,857,208</b>
<b>Derivative Financial Contracts</b>				
Foreign exchange related contracts:				
- Less than one year	27,144,612	323,436	660,746	485,955
- One year to less than five years	4,950,940	276,315	638,390	294,088
- Five years and above	846,826	96,432	238,779	170,282
Interest/profit rate related contracts:				
- Less than one year	33,981,130	12,597	45,896	22,567
- One year to less than five years	36,461,189	265,224	1,132,017	560,952
- Five years and above	1,877,411	16,164	155,259	77,629
Equity related contracts:				
- Less than one year	291,457	7,011	24,497	17,503
- One year to less than five years	212,299	984	17,968	10,984
Commodity related contracts:				
- Less than one year	4,949	875	1,370	1,247
	<b>105,770,813</b>	<b>999,038</b>	<b>2,914,922</b>	<b>1,641,207</b>
	<b>143,994,304</b>	<b>999,038</b>	<b>14,892,555</b>	<b>11,498,415</b>

\* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (A) Credit risk (continued)

#### Off-Balance Sheet exposures and counterparty credit risk (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows: (continued)

The Bank 30 June 2015	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets* RM'000
<b>Commitments and Contingent Liabilities</b>				
Direct credit substitutes	211,578	-	211,578	208,064
Transaction related contingent items	1,508,972	-	754,486	702,336
Short term self liquidating trade related contingencies	741,482	-	148,296	140,793
Irrevocable commitments to extend credit:				
- More than one year	14,680,331	-	7,340,167	5,752,376
- Less than one year	15,610,783	-	3,122,156	2,773,039
Unutilised credit card lines	7,426,036	-	1,485,207	1,086,338
	40,179,182	-	13,061,890	10,662,946
<b>Derivative Financial Contracts</b>				
Foreign exchange related contracts:				
- Less than one year	30,203,845	918,705	1,268,129	842,240
- One year to less than five years	4,409,157	208,713	616,963	271,283
- Five years and above	819,693	67,332	211,675	147,548
Interest/profit rate related contracts:				
- Less than one year	21,857,447	23,544	33,757	16,590
- One year to less than five years	42,386,138	183,936	1,181,328	589,679
- Five years and above	2,129,631	12,084	258,505	129,253
Equity related contracts:				
- Less than one year	360,330	3,075	24,565	16,667
- One year to less than five years	102,937	3,877	8,235	6,118
Commodity related contracts:				
- Less than one year	1,471	87	234	198
- One year to less than five years	3,826	218	678	563
	102,274,475	1,421,571	3,604,069	2,020,139
	142,453,657	1,421,571	16,665,959	12,683,085

\* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 4. RISK MANAGEMENT (CONTINUED)

#### (B) Market risk

Market risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest rates, foreign exchange rates, equities, spreads, volatilities and/or correlations.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"). The amount of market risk that the Bank is prepared to take for each financial year is based on the budget, business direction, its risk-taking strategies, the impact on earnings and capital utilisation. These factors are used as a basis for setting market risk limits on an overall Group and Bankwide basis.

Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by ALCO, endorsed by the BRMC and approved by the Board.

The main market risk limits are stop loss limits, VaR limits, counterparty limits, sensitivity limits, position/instrument limits and holding period limits.

VaR is defined as the maximum loss at a specific confidence level over a specified period of time under normal market conditions. The Bank computes the Historical Simulation VaR on a daily basis based on the recent 250-days of market observations at a 99.0% confidence level.

Over the course of the financial year, the VaR of the banking group's trading book ranged between RM2.6 million to RM8.8 million with an average of RM4.9 million.

The Bank performs backtesting on VaR on a hypothetical and actual basis and the results are tabled to the ALCO and the BRMC.

In addition, stress tests are conducted regularly on the trading book. In performing stress-testing, the Bank uses the following:

- 1) Scenario analysis, which is a combination of expected movements on risk factors.
- 2) Historical crisis event, which is based on actual movements that occurred in the relevant risk factors. The main risk factors that are stressed are the KL Financial Bursa Composite Index, movements in interest rates for MYR, USD and other major currencies, migration in ratings and Foreign Exchange spot and volatilities.

In managing the interest rate risk exposure in the banking book, the Bank adopts methodologies that measure exposure in both earnings at risk perspective and economic value or capital at risk perspective.

#### (C) Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet financial obligations as they fall due. Financial obligations arise from withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

# BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4. RISK MANAGEMENT (CONTINUED)

### (C) Liquidity risk (continued)

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, limits and controls which are reviewed and concurred by the ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The Bank has in place liquidity contingency funding plans and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plans set out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

In addition, the Bank also monitors the Net Stable Funding Ratio which is one of the key Basel III liquidity ratios in line with the observation period reporting to BNM.

### (D) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Management oversight on operational risk management ("ORM") and compliance matters are effected through the Operational Risk Management and Compliance Committee ("ORMCC") whilst Board oversight is effected through the BRMC.

The Banking Group's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The Bank is further enhancing its ORM tools such as loss event reporting, risk catalogue, control self assessment and key risk indicators in order to improve its ORM.

The results of the ORM processes using the above tools are reported to both the BRMC and the ORMCC.

These tools are based on international best practices for the management of operational risks and are explained in more detail below:

- i) Risk Catalogue ("RC") records the operational risk profile of each Business/Support unit which enables them to proactively manage operational risks.
- ii) Control Self Assessment ("CSA") provides the opportunity for the Business/Support units to identify and assess the effectiveness of its current controls in mitigating operational risk.
- iii) Key Risk Indicators ("KRI") is a set of measures to allow the Bank to monitor and facilitate early detection of operational risks.
- iv) Loss Event Reporting ("LER") is a process for collecting and reporting operational risk events. These are further used for analysis of operational risks for the purpose of developing mitigating controls.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 4. RISK MANAGEMENT (CONTINUED)

#### (D) Operational risk (continued)

The operational risk mitigation strategies that are implemented at the Banking Group are:

- i) Policies, Guidelines and Standard Operating Procedures that define the roles and responsibilities of personnel and their respective operating limits.
- ii) Insurance against operational losses as a form of risk mitigation especially for risks which are deemed as high severity.
- iii) System of controls, established to provide reasonable assurance of effective and efficient operation.
- iv) Business Continuity Management to facilitate the continuance of business activities in the event of disaster or crisis situations by means of ensuring appropriate redundancy of systems are available.
- v) Outsourcing Management to ensure proper due diligence review is performed prior to engaging outsourcing service providers and continuous tracking of existing outsourcing service providers' performance, code of conduct, compliance, and business viability.
- vi) Processes to ensure compliance to laws, regulations, guidelines and policies.

#### (E) Financial hedges to mitigate interest rate risks

The following actions describe the accounting treatment for financial hedges that may be entered into to mitigate the interest rate risk exposures of the Bank.

- (i) Financial instruments designated as fair value through profit and loss

The Group and the Bank use derivative hedge instruments, such as interest rate swaps to economic hedge part of their existing fixed rate loans to reduce the exposure on interest rate risk as part of its risk management strategy.

- (ii) Fair value hedges

The Group and the Bank use interest rate swap as the hedge instruments to hedge the interest rate risk of fixed rate loans exposure. The interest rate swap contracts used for the hedging are contracted with other financial institutions.

- (iii) Cash flow hedges

The Group and the Bank use interest rate swap as the hedge instruments to hedge the variability of future cash flows on fixed deposits portfolio.

Further information relating to the cash flow hedges are disclosed in Note 20(a) to the financial statements.

- (iv) The accounting policies on derivative financial instruments and hedge accounting are disclosed in Note 2(k) to the financial statements.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 5. EQUITY EXPOSURES IN BANKING BOOK

The Group's and the Bank's banking book's equity investments consist of equity holdings in organisations which are set up for specific socio-economic reasons and equity holdings and equity instruments received as a result of loan/financing restructuring or loan/financing conversion.

The Group's and the Bank's banking book's equity investments are classified and measured in accordance with MFRS 139 and are categorised as financial investments available-for-sale. Refer to Note 2D(i)(d) to the financial statements for the accounting policies of the Group and the Bank.

Details of investments in financial investments available-for-sale of the Group and the Bank are set out in Note 6 to the financial statements.

The following table summarises the Group's and the Bank's equity exposures in the banking book:

	The Group		The Bank	
	Exposures subject to risk-weighting RM'000	Risk weights %	Exposures subject to risk-weighting RM'000	Risk weights %
<b>30 June 2016</b>				
<u>Financial investments available-for-sale</u>				
Quoted equity securities	26	100%	26	100%
Unquoted equity securities	427,328	150%	427,328	150%
<b>30 June 2015</b>				
<u>Financial investments available-for-sale</u>				
Quoted equity securities	16,250	100%	16,250	100%
Unquoted equity securities	394,887	150%	394,887	150%

Realised gains arising from sales and liquidations of equity exposures are as follows:

	The Group and the Bank	
	30 June 2016 RM'000	30 June 2015 RM'000
Net gains arising from sales of equity securities	5,184	12,045

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 2016.



## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 6. INTEREST RATE RISK/RATE OF RETURN RISK (“IRR”/“RORR”) IN THE BANKING BOOK

To evaluate the potential impact of interest/profit rate risk in the Banking Book, the Group and the Bank consider the effect on both their earnings and underlying economic value. These two view points must be assessed to determine the full scope of the Group’s and the Bank’s interest/profit rate risk exposure.

The earnings perspective provides the impact of interest/profit rate changes on the Group’s and the Bank’s reported earnings i.e. a reduction in earnings caused by changes in interest/profit rates can reduce earnings, liquidity, and capital. This perspective focuses on risk to earnings in the short term i.e. one year and will be reported through changes in the Group’s and the Bank’s net interest income (“NII”) i.e. the difference between total interest income and total interest expense. The changes in the Group’s and the Bank’s NII may vary depending on timing of reprising basis, and yield curve risks, and options position.

The application of earnings perspective solely may not be sufficient as the earnings perspective only take into account short-term positions.

The economic perspective provides a measurement of the underlying value of the Group’s and the Bank’s current position and seeks to evaluate the sensitivity of that value to changes in interest/profit rates. This perspective will allow the Group and the Bank to evaluate the changes in economic value of assets, liabilities, and off-balance sheet instruments against the movement in interest/profit rate. The economic values of these instruments are equivalent to the instruments’ present value of future cash flows.

By analysing the impact of interest/profit rate changes on the value of all future cash flows, the economic perspective can provide a more comprehensive measurement of interest/profit rate risk than the earnings perspective. The future cash flow projections used to estimate the economic exposure provides a pro forma estimate of the future income generated by its current position. In general, the measurement of present value of the instrument will be able to give an overview of the Group’s and the Bank’s economic value of equity (“EVE”) over a longer time period.

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 6. INTEREST RATE RISK/RATE OF RETURN RISK ("IRR"/"RORR") IN THE BANKING BOOK (CONTINUED)

The increase or decline in earnings and economic value for upward and downward rate shocks which are consistent with shocks applied in the Group's and the Bank's stress test for measuring IRR/RORR in the banking book are as follows:

	Impact on positions 100 basis points parallel shift	
	Increase/(Decline) in Earnings RM'000	Increase/(Decline) in Economic Value RM'000
<b>The Group</b>		
<b>30 June 2016</b>		
<b>100 bps upward</b> Ringgit Malaysia	25,823	(880,538)
<b>100 bps downward</b> Ringgit Malaysia	(77,147)	927,157
<b>30 June 2015</b>		
<b>100 bps upward</b> Ringgit Malaysia	181,319	(617,078)
<b>100 bps downward</b> Ringgit Malaysia	(198,723)	649,685
<b>The Bank</b>		
<b>30 June 2016</b>		
<b>100 bps upward</b> Ringgit Malaysia	54,615	(648,555)
<b>100 bps downward</b> Ringgit Malaysia	(92,897)	679,573
<b>30 June 2015</b>		
<b>100 bps upward</b> Ringgit Malaysia	173,497	(427,442)
<b>100 bps downward</b> Ringgit Malaysia	(190,969)	445,933

## BASEL II PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 7. SHARIAH GOVERNANCE DISCLOSURE

In October 2010, BNM has issued Shariah Governance Framework (“SGF”) to guide Islamic financial institutions to establish a comprehensive governance policy framework which sets out the strategic roles and functions of each organ of governance and mechanism in ensuring that the overall Islamic financial system operates in accordance with Shariah principles. The new Islamic Financial Services Act (“IFSA”) 2013, which came into force on 30 June 2013, statutorily enforce the management of Shariah non-compliance risk and require Islamic financial institutions to ensure that their aim, operation, business, affairs and activities are Shariah-compliant at all time.

HLISB has developed its own Shariah Governance Framework to ensure the management of Shariah matters in the Bank is of the highest standard in line with the SGF and IFSA.

The SGF is to govern and guide 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.

### 8. COMPLIANCE

Compliance is a culture that is an essential part of Hong Leong Bank Group. In promoting compliance culture and displaying adherence to good corporate governance, the Bank Group has introduced the Regulatory Compliance Framework to promote higher standards of compliance and integrity within the Bank Group.

The Regulatory compliance framework is built around a set of values that enable the Bank Group to effectively manage its regulatory compliance risk arising from its day-to-day business operations.

- a) Compliance starts at the top. It is most effective in a corporate culture that emphasizes standards of integrity and in which the Board and Senior Management lead by example.
- b) The Board and Senior Management promotes a consistently strong compliance culture across the Bank.
- c) Regulatory Compliance function must be independent of risk-taking functions and business lines in order to perform its role as a control function effectively.
- d) Functionally, to ensure an effective management of compliance:
  - The business lines are accountable for assessing, controlling and managing compliance risk inherent in the day-to-day activities, processes and systems of their respective business.
  - The compliance function is responsible for ensuring that controls to manage compliance risk are adequate and operating as intended.
  - The internal audit function is responsible for providing independent assurance to the board and senior management on the quality and effectiveness of the overall internal controls, risk management and governance systems and processes, including those instituted by the compliance function.

The Framework facilitates consistency in ensuring adherence to the laws and regulations applicable to business and operations of the Bank Group. It outlines the roles and responsibilities of employees at various levels in ensuring compliance with the applicable regulatory requirements; as well as describes the approach adopted by the Bank Group in implementing, assessing and monitoring compliance within the regulatory requirements landscape.

## OTHER INFORMATION

### 1. MATERIAL CONTRACTS

Save as disclosed below, there were no other material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad:

- (a) The letter of undertaking dated 14 July 2015 provided by Hong Leong Financial Group Berhad (“HLFG”) to Hong Leong Bank Berhad (“HLB”) to subscribe and/or procure the subscription in full for its entitlement to the new ordinary shares of RM1.00 in HLB (“HLB Shares”) issued pursuant to the renounceable rights issue of new HLB Shares to raise gross proceeds of up to RM3.0 billion (“HLB Rights Issue”); and
- (b) The letter of undertaking dated 14 July 2015 provided by Hong Leong Equities Sdn Bhd, a wholly-owned subsidiary of HLFG, to HLB to subscribe and/or procure the subscription in full for its entitlement to the new HLB Shares issued pursuant to the HLB Rights Issue.

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016

Authorised share capital	: RM3,000,000,000
Issued & paid-up capital	: RM2,167,718,284
Adjusted issued & paid-up capital (after deducting treasury shares pursuant to Section 67A of the Companies Act, 1965)	: RM2,086,616,584
Class of shares	: Ordinary shares of RM1.00 each
Voting rights	: 1 vote for each share held

#### Distribution Schedule of Shareholders as at 30 August 2016

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	319	3.17	6,546	0.00
100 – 1,000	1,712	16.99	1,096,177	0.05
1,001 – 10,000	6,503	64.56	21,688,910	1.04
10,001 – 100,000	1,211	12.02	35,818,864	1.72
100,001 – less than 5% of issued shares	325	3.23	431,535,601	20.68
5% and above of issued shares	3	0.03	1,596,470,486	76.51
	10,073	100.00	2,086,616,584	100.00

\* Excluding 81,101,700 shares bought back and retained by the Company as treasury shares

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 (CONTINUED)

#### List Of Thirty Largest Shareholders as at 30 August 2016

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Financial Group Berhad	1,155,753,941	55.39
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	269,510,521	12.92
3.	Hong Leong Financial Group Berhad	171,206,024	8.20
4.	MTrustee Berhad - Exempt AN for Hong Leong Bank Berhad (ESOS)	41,162,900	1.97
5.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	28,697,037	1.38
6.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	23,929,176	1.15
7.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	21,834,200	1.05
8.	AmanahRaya Trustees Berhad - Amanah Saham Malaysia	20,372,572	0.98
9.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Rakaman Anggun Sdn Bhd (PB)	14,294,300	0.69
10.	HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Fund Management Sdn Bhd for Hong Leong Equities Sdn Bhd	13,177,716	0.63
11.	Cartaban Nominees (Tempatan) Sdn Bhd - Exempt AN for Eastspring Investments Berhad	10,524,854	0.51
12.	Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government Of Singapore (C)	10,504,016	0.50
13.	CIMB Group Nominees (Tempatan) Sdn Bhd - Yayasan Hasanah (AUR-VCAM)	10,443,944	0.50
14.	HSBC Nominees (Asing) Sdn Bhd - BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund	10,022,200	0.48
15.	AmanahRaya Trustees Berhad - AS 1Malaysia	9,210,864	0.44

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 (CONTINUED)

#### List Of Thirty Largest Shareholders as at 30 August 2016 (continued)

	<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
16.	Kumpulan Wang Persaraan (Diperbadankan)	9,058,904	0.43
17.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	7,604,596	0.37
18.	Pertubuhan Keselamatan Sosial	6,727,700	0.32
19.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	6,500,246	0.31
20.	HLIB Nominees (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	6,485,863	0.31
21.	Cartaban Nominees (Asing) Sdn Bhd - BBH And Co Boston for WGI Emerging Markets Smaller Companies Fund, LLC	5,958,108	0.29
22.	HLB Nominees (Asing) Sdn Bhd - Kwek Leng Hai (Custodian)	5,510,000	0.26
23.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera 2	4,000,000	0.19
24.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd.	3,974,440	0.19
25.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberdeen)	3,700,400	0.18
26.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority (Agus)	3,423,700	0.16
27.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority (Trang)	2,999,750	0.14
28.	Assets Nominees (Asing) Sdn Bhd - GuoLine Capital Limited	2,776,344	0.13
29.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,700,000	0.13
30.	Citigroup Nominees (Asing) Sdn Bhd - Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	2,683,927	0.13
		<b>1,884,748,243</b>	<b>90.33</b>

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 (CONTINUED)

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2016 are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Financial Group Berhad	1,326,959,965	63.59	16,235,220	0.78 <sup>(a)</sup>
Hong Leong Company (Malaysia) Berhad	-	-	1,346,181,489	64.52 <sup>(a)</sup>
HL Holdings Sdn Bhd	-	-	1,346,181,489	64.52 <sup>(b)</sup>
Tan Sri Quek Leng Chan	-	-	1,346,237,169	64.52 <sup>(c)</sup>
Hong Realty (Private) Limited	-	-	1,346,181,489	64.52 <sup>(b)</sup>
Hong Leong Investment Holdings Pte Ltd	-	-	1,346,181,489	64.52 <sup>(b)</sup>
Kwek Holdings Pte Ltd	-	-	1,346,181,489	64.52 <sup>(b)</sup>
Kwek Leng Beng	-	-	1,346,181,489	64.52 <sup>(b)</sup>
Davos Investment Holdings Private Limited	-	-	1,346,181,489	64.52 <sup>(b)</sup>
Kwek Leng Kee	282,344	0.01	1,346,181,489	64.52 <sup>(b)</sup>
Quek Leng Chye	-	-	1,346,181,489	64.52 <sup>(b)</sup>
Guoco Assets Sdn Bhd	-	-	1,343,195,185	64.37 <sup>(d)</sup>
GuoLine Overseas Limited	-	-	1,343,405,145	64.38 <sup>(e)</sup>
Guoco Group Limited	-	-	1,343,405,145	64.38 <sup>(e)</sup>
GuoLine Capital Assets Limited	-	-	1,346,181,489	64.52 <sup>(e)</sup>
Employees Provident Fund Board	277,530,823	13.30	-	-

#### Notes:

- <sup>(a)</sup> Held through subsidiaries
- <sup>(b)</sup> Held through Hong Leong Company (Malaysia) Berhad ("HLCM")
- <sup>(c)</sup> Held through HLCM and company(ies) in which the substantial shareholder has interests
- <sup>(d)</sup> Held through Hong Leong Financial Group Berhad ("HLFG")
- <sup>(e)</sup> Held through subsidiary(ies) and HLFG

## OTHER INFORMATION

### 3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2016

Subsequent to the financial year end, there is no change, as at 30 August 2016, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 76 to 79 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

Indirect Interests of	No. of ordinary shares	%
<b>YBhg Tan Sri Quek Leng Chan in:</b>		
Hong Leong Financial Group Berhad	900,889,232 <sup>(1)</sup>	78.51
GL Limited (formerly known as GuocoLeisure Limited)	933,362,725	68.23

**Note:**

<sup>(1)</sup> Inclusive of interest pursuant to Section 134 (12)(c) of the Companies Act, 1965 in shares held by family member



## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016

	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	82	7,450	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	17	2,114	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch premises	4,425	34	1,664	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibul Sarawak	Freehold	Branch premises	4,871	24	2,955	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	25	1,181	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	1,436	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	30	511	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	50	580	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	30	2,172	25/06/1992
11	No. 12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	25	3,585	25/06/1992

## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
12	No. 6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Vacant	2,240	47	66	18/10/1969
13	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	21	3,238	28/04/1997
14	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	20	1,007	28/04/1997
15	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	29	1,186	26/06/1997
16	Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	22	204	26/06/1997
17	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	19	1,054	26/06/1997
18	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	20	2,649	26/01/1995
19	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/7/2030)	Vacant	10,619	41	32	30/06/1977
20	No. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	23	798	01/01/1994
21	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	38	1,925	24/11/1978
22	No. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Storage	4,394	21	373	26/12/1995

## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
23	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	37	1,010	01/10/1984
24	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	21	257	24/11/1995
25	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	19	616	15/06/1998
26	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	26	918	01/06/1994
27	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	34	331	29/11/1985
28	No. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	36	304	01/04/1980
29	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	36	426	31/07/1988
30	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	20	2,691	14/02/1996
31	No. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	23	379	22/10/1977
32	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	28	205	01/09/1988
33	No. 26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Vacant	7,040	32	1,205	22/05/1995
34	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	48	33	30/06/1977

## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
35	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	76	106	30/08/1982
36	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	17	1,275	18/12/1999
37	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	17	2,424	18/12/1999
38	Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Vacant	4,945	17	2,220	23/11/1999
39	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	17	470	23/11/1999
40	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	16	1,627	23/11/1999
41	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	17	1,188	31/05/1991
42	No. 1 & 2 Jalan Raya, 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	15	360	20/09/2000
43	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	15	333	13/12/2000
44	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	20	4,754	14/10/1996
45	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold 999 years (28/12/2881)	Branch premises	1,370	25	424	30/05/1991

## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
46	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	11	2,559	25/11/2005
47	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	11	2,637	25/10/2005
48	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	10	3,739	07/06/2006
49	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	10	2,661	06/07/2006
50	No. 2 Jalan Puteri 2/4, Bandar Puteri, Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	9	5,103	26/06/2007
51	Tower A PJ City Development 46100 Petaling Jaya, Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	8	75,803	21/07/2008
52	OUG No.2, Lorong 2/137C, Off Jalan Kelang Lama, 58200 Kuala Lumpur	Leasehold -99 years (year 2088)	Branch Premises	17,300	6	5,102	01/04/2011
53	KEP Lot No 77C & 77D, Lot No.58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold -99 years (7/01/2101)	Branch Premises	30,613	6	8,708	01/05/2011
54	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	Leasehold -60 years 29/4/2045	Branch Premises	1,200	23	159	30/04/1985
55	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	29	128	24/05/1983
56	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	43	291	18/09/1972

## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
57	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	21	1,828	03/04/1997
58	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch Premises	3,080	53	2,149	19/08/1997
59	No. 1, Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	Freehold	Centre	2,776	33	1,529	09/07/1998
60	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	20	1,448	22/01/1999
61	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	12	3,491	12/02/2005
62	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 6/7/87	2 units apartment	2,088	20	203	21/04/1994
63	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold -99 years 30/01/2078	Storage for branches	1,680	32	266	29/06/1981
64	Lot 4 & 5, Jalan TMR 1 Taman Melaka Raya 75000 Melaka	Leasehold -99 years 20/3/2094	Vacant	3,132	20	530	17/04/1998
65	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold -99 years 7/7/93	Branch Premises	3,080	21	674	15/08/1999

## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
66	No. 21 & 23, Jalan Indah 15/1 Bukit Indah, 81200 Johor Bahru Johor Darul Takzim	Freehold	Branch Premises	5,090	14	1,451	27/05/2002
67	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	13	2,035	12/02/2003
68	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	19	1,019	05/04/1999
69	No. C05-07 Genting Permai Park & Resort 6th Mile 69000 Genting Highland Pahang Darul Makmur	Freehold	1 unit apartment	1,029	17	182	09/02/1996
70	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	15	1,442	04/08/1999
71	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	13	1,163	10/07/2003
72	Lot 171, Jalan Council 95000 Bandar Sri aman Sarawak	Leasehold 60 years 20/06/2050	Branch Premises	1,740	20	151	21/06/1990
73	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold -99 years 31/12/2038	Storage	1,390	23	-	23/09/1992
74	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	21	1,817	04/02/1997

## OTHER INFORMATION

### LIST OF PROPERTIES HELD AS AT 30 JUNE 2016 (CONTINUED)

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
75	No. 177, Limbok Hill 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	43	11	16/08/1972
76	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Storage	5,804	23	-	25/05/1993
77	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	19	17,547	01/06/2015
78	No. 9, Jalan Kundang, Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch Premises	7,060	34	2,677	01/06/2015
79	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch Premises	16,652	14	14,603	23/06/2015
80	Lot 1, Block 35, Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	44	5,129	17/08/2015



## BRANCH NETWORK

AS AT 30 JUNE 2016

### PERLIS INDERA KAYANGAN

- 1 No. 40 & 42, Jalan Bukit Lagi,  
01000 Kangar,  
Perlis Indera Kayangan  
Tel : 04-9771888  
Fax : 04-9772888

### KEDAH DARUL AMAN

- 2 Ground & 1st Floor  
No. 212 Jalan Gangsa  
Seberang Jalan Putra  
05150 Alor Setar  
Kedah Darul Aman  
Tel : 04-7315269  
Fax : 04-7314582
- 3 Ground & First Floor,  
No. 64 & 65, Jalan Pengkalan,  
Taman Pekan Baru,  
08000 Sungai Petani,  
Kedah Darul Aman  
Tel : 04-4236117  
Fax : 04-4236121
- 4 No. 1 & 2, Jalan Raya,  
09800 Serdang,  
Kedah Darul Aman  
Tel : 04-4076919  
Fax : 04-4076921
- 5 62 & 63, Jalan Bayu Satu,  
09000 Kulim  
Kedah Darul Aman  
Tel : 04-4913606  
Fax : 04-4913604
- 6 167 & 168,  
Susuran Sultan Abdul Hamid 11,  
Kompleks Perniagaan Sultan Abdul  
Hamid, Faza 2  
05050 Alor Setar,  
Kedah Darul Aman  
Tel : 04-7712918  
Fax : 04-7712892
- 7 9A & 9B, Jalan Kampung Baru,  
08000 Sungai Petani,  
Kedah Darul Aman  
Tel : 04-4205225  
Fax : 04-4226012

- 8 No. 172, Susuran Sultan Abdul  
Hamid 10,  
Kompleks Perniagaan Sultan Abd  
Hamid PH 2  
05050 Alor Setar  
Kedah Darul Aman  
Tel : 04-7713228  
Fax : 04-7716678

- 9 No 18K & 18L, Jalan Raya  
08300 Gurun  
Kedah Darul Aman  
Tel : 04-4684785  
Fax : 04-4684766

- 10 No. 255, Jalan Legenda 10  
Legenda Heights  
08000 Sungai Petani  
Kedah Darul Aman  
Tel : 04-4224352  
Fax : 04-4224355

- 11 No. 93, Langkawi Mall  
Jalan Kelibang, Kuah  
07000 Langkawi  
Kedah Darul Aman  
Tel : 04-9668118  
Fax : 04-9668228

- 12 Ground Floor,  
No. 1520-2A, Pantai Halban,  
Jalan Kepala Batas,  
06000 Jitra,  
Kedah Darul Aman  
Tel : 04-9190278  
Fax : 04-9190314

### PULAU PINANG

- 13 No. 1, Light Street,  
Georgetown ,  
10200 Pulau Pinang  
Tel : 04-2615022  
Fax : 04-2626360

- 14 2828-G-02 & 2828-1-02,  
Jalan Bagan Luar,  
12000 Butterworth,  
Pulau Pinang  
Tel : 04-3315659  
Fax : 04-3312145

- 15 No. 9 & 10, Jalan Todak 2,  
Pusat Bandar Seberang Jaya,  
13700 Prai, Pulau Pinang  
Tel : 04-3972097  
Fax : 04-3972094

- 16 No. 441-G-1, 441-G-2, 441-G-3,  
Jalan Burmah, Pulau Tikus  
10350 Pulau Pinang  
Tel : 04-2288475  
Fax : 04-2288472

- 17 No. 15-G-1, (Bayan Point),  
Medan Kampung Relau,  
11900 Pulau Pinang  
Tel : 04-6428643  
Fax : 04-6428640

- 18 1781, Jalan Nibong Tebal,  
Taman Panchor Indah,  
14300 Pulau Pinang  
Tel : 04-5942889  
Fax : 04-5942886

- 19 98-G-158, Prima Tanjung,  
Jalan Fettes, Tanjung Tokong,  
10470 Pulau Pinang  
Tel : 04-8904188  
Fax : 04-8998644

- 20 No. 1, Lebuhr Kurau 1,  
Taman Chai Leng,  
13700 Prai, Pulau Pinang  
Tel : 04-3972499  
Fax : 04-3977851

- 21 45, Jalan Burma,  
10050 Pulau Pinang  
Tel : 04-2130501  
Fax : 04-2262779

- 22 19, Jalan Bertam,  
13200 Kepala Batas,  
Seberang Prai,  
Pulau Pinang  
Tel : 04-5754900  
Fax : 04-5757688

- 23 No. 723-G-G,  
723-H-G & 723-1-G,  
Jalan Sungai Dua,  
11700 Pulau Pinang  
Tel : 04-6586699  
Fax : 04-6586969

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |   |  |  |
|---|--|--|
| <p>24 No. 6963 &amp; 6964, Jalan Ong Yi How, Kawasan Perusahaan Raja Uda, 13400 Butterworth, Pulau Pinang<br/>Tel : 04-3312277<br/>Fax : 04-3322277</p>           | <p>31 No. 26, 28 &amp; 30, Lorong Murni 1 Taman Desa Murni Sungai Dua 13800 Butterworth Pulau Pinang<br/>Tel : 04-3562688<br/>Fax : 04-3565288</p> | <p>38 No. 1, Jalan Besar, Taman Tempua, 14000 Simpang Ampat, Pulau Pinang<br/>Tel : 04-5888208<br/>Fax : 04-5885236</p>  |
| <p>25 No. 1-G-03, Tesco Penang, No. 1, Leboh Tengku Kudin 1, Bandar Jelutong, 11700 Pulau Pinang<br/>Tel : 04-6564698<br/>Fax : 04-6561840</p>                    | <p>32 No.300 Jalan Jelutong 11600 Pulau Pinang<br/>Tel : 04-2826688<br/>Fax : 04-2819650</p>   | <p>39 Ground, 1st &amp; 2nd Floor, No 306-F, Jalan Dato Ismail Hashim, Sungai Ara. 11900 Bayan Lepas, Pulau Pinang<br/>Tel : 04-6462331<br/>Fax : 04-6464335</p>                               |
| <p>26 No 130 &amp; 132, Jalan Raja Uda Pusat Perniagaan Raja Uda 12300 Butterworth Pulau Pinang<br/>Tel : 04-3243288<br/>Fax : 04-3248288</p>                     | <p>33 No. 16A &amp; 16B, Lebuhraya Thean Teik Bandar Baru Ayer Itam 15000 Pulau Pinang<br/>Tel : 04-8271688<br/>Fax : 04-8271632</p>               | <p>40 No. 82, Jalan Besar, 11000 Balik Pulau, Pulau Pinang<br/>Tel : 04-8665188<br/>Fax : 04-8663171</p>   |
| <p>27 Ground &amp; Mezzanine Floor No. G17 &amp; G18, Penang Times Square Jalan Dato Keramat 10150 Pulau Pinang<br/>Tel : 04-2264177<br/>Fax : 04-2263946</p>     | <p>34 No. 7 &amp; 9, Tingkat Kikik 7 Taman Inderawasih 13600 Prai Pulau Pinang<br/>Tel : 04-3993134<br/>Fax : 04-3906913</p>                       | <p>41 Ground &amp; First Floor, No.1 Medan Limau Emas, Pusat Perniagaan Limau Emas, Off Jalan Song Ban Keng, 14000 Bukit Mertajam, Pulau Pinang.<br/>Tel : 04-5022352<br/>Fax : 04-5023751</p> |
| <p>28 No. 421 &amp; 423, Jalan Burmah 10350 Pulau Pinang<br/>Tel : 04-2283202<br/>Fax : 04-2281654</p>  | <p>35 No. 58 &amp; 60, Jalan Tengah Taman Sri Tunas Bandar Bayan Baru 11950 Bayan Lepas Pulau Pinang<br/>Tel : 04-6452881<br/>Fax : 04-6452995</p> | <p><b>PERAK DARUL RIDZUAN</b></p>  |
| <p>29 No. 1823-G1, Jalan Perusahaan Highway Auto-City North-South Highway Juru Interchange 13600 Prai, Pulau Pinang<br/>Tel : 04-5021488<br/>Fax : 04-5079488</p> | <p>36 No 31,33,35 &amp; 37 Jalan Usaha Niaga 1 Taman Niaga Jaya 14000 Bukit Mertajam Pulau Pinang<br/>Tel : 04-5361549<br/>Fax : 04-5398466</p>    | <p>42 Lot A-G-2 (Ground Floor) , No. 1 Persiaran Greentown 2, Greentown Business Centre, 30450 Ipoh Perak Darul Ridzuan<br/>Tel : 05-2530048<br/>Fax : 05-2555251</p>                          |
| <p>30 No 1435 &amp; 1436, Jalan Besar 14200 Sungai Bakap Seberang Prai Selatan Pulau Pinang<br/>Tel : 04-5821134<br/>Fax : 04-5825826</p>                         | <p>37 No.3350 &amp; 3351, Jalan Rozhan, Taman Industri Alma Jaya, 14000 Bukit Mertajam, Pulau Pinang<br/>Tel : 04-5522188<br/>Fax : 04-5522152</p> | <p>43 No. 20, Jalan Bidor Raya Off Jalan Persatuan 35500 Bidor , Perak Darul Ridzuan<br/>Tel : 05-4341211<br/>Fax : 05-4344313</p>   |
|   |  | <p>44 41, Jalan Taiping, 34200 Parit Buntar, Perak Darul Ridzuan<br/>Tel : 05-7164688<br/>Fax : 05-7163648</p>   |

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |   |  |   |
|---|--|---|
| <p>45 No. 16 &amp; 17, Taman Sitiawan Maju<br/>Jalan Lumut, 32000 Sitiawan,<br/>Perak Darul Ridzuan<br/>Tel : 05-6922316<br/>Fax : 05-6922320</p>               | <p>53 75, Jalan Sultan Idris Shah,<br/>30000 Ipoh,<br/>Perak Darul Ridzuan<br/>Tel : 05-2537528<br/>Fax : 05-2547335</p>   | <p>60 No. 25 &amp; 27, Jalan Bunga Anggerik<br/>Taman Bunga Raya<br/>35900 Tanjung Malim<br/>Perak Darul Ridzuan<br/>Tel : 05-4598272<br/>Fax : 05-4583178</p>        |
| <p>46 No. 116 &amp; 117, Jalan Besar,<br/>31450 Menglembu<br/>Ipoh,<br/>Perak Darul Ridzuan<br/>Tel : 05-2812088<br/>Fax : 05-2824088</p>                       | <p>54 579 &amp; 579A, Jalan Pasir Puteh,<br/>31650 Ipoh,<br/>Perak Darul Ridzuan<br/>Tel : 05-3228989<br/>Fax : 05-3229641</p>   | <p>61 No. 396 &amp; 398, Taman Saujana<br/>Kamunting, 34600 Taiping<br/>Perak Darul Ridzuan<br/>Tel : 05-8078915<br/>Fax : 05-8078905</p>                             |
| <p>47 No. 28, Medan Silibin,<br/>30100 Ipoh,<br/>Perak Darul Ridzuan<br/>Tel : 05-5266333<br/>Fax : 05-5264333</p>  | <p>55 No. 91 &amp; 93,<br/>Jalan Dato Lau Pak Khuan,<br/>Ipoh Garden,<br/>31400 Ipoh<br/>Perak Darul Ridzuan<br/>Tel : 05-5495160<br/>Fax : 05-5495158</p>                               | <p>62 Ground &amp; First Floor,<br/>No. 362, Medan Bercham,<br/>Jalan Bercham,<br/>31400 Ipoh,<br/>Perak Darul Ridzuan.<br/>Tel : 05-2812088<br/>Fax : 05-2824088</p> |
| <p>48 No. 53, 55 &amp; 57, Jalan Stesyen,<br/>34000 Taiping,<br/>Perak Darul Ridzuan<br/>Tel : 05-8065229<br/>Fax : 05-8065631</p>                              | <p>56 No 86 &amp; 88, Jalan Besar<br/>32400 Ayer Tawar<br/>Perak Darul Ridzuan<br/>Tel : 05-6727470<br/>Fax : 05-6727478</p>   |   |
| <p>49 133, 135 Jalan Gopeng,<br/>31900 Kampar,<br/>Perak Darul Ridzuan<br/>Tel : 05-4665050<br/>Fax : 05-4665191</p>  | <p>57 No. 54, 56 &amp; 58<br/>Jalan Kamaruddin Isa<br/>31400 Ipoh<br/>Perak Darul Ridzuan<br/>Tel : 05-5474203<br/>Fax : 05-5472777</p>  |   |
| <p>50 27 Jalan Dewangsa,<br/>31000 Batu Gajah,<br/>Perak Darul Ridzuan<br/>Tel : 05-3653191<br/>Fax : 05-3653190</p>  | <p>58 Lot 63, Jalan Chui Chak<br/>36700 Langkap<br/>Perak Darul Ridzuan<br/>Tel : 05-6592840<br/>Fax : 05-6592843</p>  |   |
| <p>51 11 &amp; 12, Kompleks Menara<br/>Condong,<br/>Jalan Ah Chong,<br/>36000 Teluk Intan<br/>Perak Darul Ridzuan<br/>Tel : 05-6233637<br/>Fax : 05-6233642</p> | <p>59 Ground &amp; 1st Floor<br/>No. 254 &amp; 254A<br/>Jalan Raja Dr. Nazrin Shah<br/>Gunung Rapat<br/>31350 Ipoh<br/>Perak Darul Ridzuan<br/>Tel : 05-3133288<br/>Fax : 05-3113788</p> |   |
| <p>52 Ground Floor, 55-57,<br/>Jalan Yang Kalsom,<br/>30250 Ipoh,<br/>Perak Darul Ridzuan<br/>Tel : 05-2491539<br/>Fax : 05-2542323</p>                         |  |   |

### FEDERAL TERRITORY KL

- |  |   |
|--|---|
| <p>63 <b>KL Main Branch</b><br/>Level 1, Wisma Hong Leong<br/>18 Jalan Perak,<br/>50450 Kuala Lumpur<br/>Tel : 03-21642525<br/>Fax : 03-21641511</p> | <p>64 No. 34, 36 &amp; 38, Jalan Petaling,<br/>50000 Kuala Lumpur<br/>Tel : 03-20723211<br/>Fax : 03-20263048</p>               |
| <p>65 No. 2-0, Lorong 2/137C,<br/>Off Jalan Kelang Lama,<br/>58200 Kuala Lumpur<br/>Tel : 03-77820823<br/>Fax : 03-77818130</p>                      | <p>66 26, Lorong Rahim Kajai 14<br/>Taman Tun Dr. Ismail<br/>60000 Kuala Lumpur<br/>Tel : 03-77293716<br/>Fax : 03-77286312</p> |
| <p>67 No. 77C &amp; D, Lot 58529<br/>Jalan Kepong,<br/>52100 Kuala Lumpur<br/>Tel : 03-62571022<br/>Fax : 03-62519717</p>                            |   |

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |   |  |   |
|---|--|---|
| <p>68 No. 47 &amp; 48, Jalan Chow Kit,<br/>50350 Kuala Lumpur<br/>Tel : 03-40433458<br/>Fax : 03-40431914</p>   | <p>76 No. 50 Jalan Merlimau<br/>Off Jalan Kenanga<br/>55200 Kuala Lumpur<br/>Tel : 03-92221498<br/>Fax : 03-92221507</p>   | <p>84 No. 71 &amp; 73, Jalan Radin Tengah ,<br/>Zone J 4, Bandar Baru Seri Petaling,<br/>57000 Kuala Lumpur<br/>Tel : 03-90582349<br/>Fax : 03-90578041</p>                     |
| <p>69 No. 31 &amp; 33, Jalan 1/116B,<br/>Kuchai Entrepreneurs Park,<br/>Off Jalan Kuchai Lama<br/>58200 Kuala Lumpur<br/>Tel : 03-79826033<br/>Fax : 03-79809324</p>  | <p>77 A54 Jalan Tuanku Empat,<br/>Salak South Garden,<br/>Off Jln Sungai Besi,<br/>57100 Kuala Lumpur<br/>Tel : 03-79829063<br/>Fax : 03-79829210</p>              | <p>85 No. 50, Jalan Manis 1,<br/>Taman Segar, Cheras,<br/>56100 Kuala Lumpur<br/>Tel : 03-91325026<br/>Fax : 03-93121370</p>  |
| <p>70 No. 37, Jalan Telawi 3,<br/>Bangsar Baru<br/>59100 Kuala Lumpur<br/>Tel : 03-22833710<br/>Fax : 03-22843349</p>   | <p>78 55-57, Jalan Pasar<br/>55100 Kuala Lumpur<br/>Tel : 03-92235249<br/>Fax : 03-92230527</p>  | <p>86 No. 7 &amp; 9, Jalan 2/109F,<br/>Plaza Danau 2,<br/>Taman Danau Desa,<br/>Off Jalan Klang Lama,<br/>58100 Kuala Lumpur<br/>Tel : 03-79873868<br/>Fax : 03-79877868</p>    |
| <p>71 No. 8 &amp; 10, Jalan 3/50C,<br/>Taman Setapak Indah Jaya,<br/>Off Jalan Genting Kelang,<br/>53300 Kuala Lumpur<br/>Tel : 03-40239046<br/>Fax : 03-40239041</p> | <p>79 111, Jalan Mega Mendung,<br/>Kompleks Bandar Off<br/>Jalan Kelang Lama,<br/>58200 Kuala Lumpur<br/>Tel : 03-79814411<br/>Fax : 03-79827811</p>               | <p>87 A-G-10 &amp; A-01-11<br/>No. 21 Jalan 26/70A<br/>Desa Sri Hartamas<br/>50480 Kuala Lumpur<br/>Tel : 03-62012635<br/>Fax : 03-62014034</p>                                 |
| <p>72 No. 114 &amp; 116, Jalan Cerdas,<br/>Taman Connaught, Cheras<br/>56000 Kuala Lumpur<br/>Tel : 03-91021499<br/>Fax : 03-91021497</p>                             | <p>80 26, Persiaran Ara Kiri ,<br/>Lucky Garden, Bangsar<br/>59100 Kuala Lumpur<br/>Tel : 03-20943914<br/>Fax : 03-20943745</p>                                    | <p>88 <b>Islamic Main Branch</b><br/>Jalan Perak Main<br/>Level 1, Wisma Hong Leong,<br/>18 Jalan Perak,<br/>50450 Kuala Lumpur<br/>Tel : 03-21612171<br/>Fax : 03-21619730</p> |
| <p>73 No. 468-B2 (A), Block B,<br/>Ground Floor<br/>Rivercity 3rd Mile, Jalan Ipoh<br/>51200 Kuala Lumpur<br/>Tel : 03-40444764<br/>Fax : 03-40444606</p>             | <p>81 No. 2, Jalan Rampai Niaga 1,<br/>Rampai Business Park,<br/>Taman Sri Rampai,<br/>53300 Kuala Lumpur<br/>Tel : 03-41432639<br/>Fax : 03-41490148</p>          | <p>89 No 150, Jalan Tun Sambanthan<br/>50470 Kuala Lumpur<br/>Tel : 03-22747100<br/>Fax : 03-22749568</p>   |
| <p>74 147, Jalan Imbi,<br/>55100 Kuala Lumpur<br/>Tel : 03-21411402<br/>Fax : 03-21411429</p>   | <p>82 No. 266 &amp; 267, Jalan Bandar 12,<br/>Taman Melawati,<br/>53100 Kuala Lumpur<br/>Tel : 03-41068951<br/>Fax : 03-41070152</p>                               | <p>90 No. 53 &amp; 55, Jalan Sultan Ismail<br/>50250 Kuala Lumpur<br/>Tel : 03-21488077<br/>Fax : 03-21483488</p>   |
| <p>75 180-0-7 &amp; 180-0-8,<br/>Wisma Mahkota,<br/>Taman Maluri, Cheras<br/>55100 Kuala Lumpur<br/>Tel : 03-92821507<br/>Fax : 03-92821549</p>                       | <p>83 No. 44 &amp; 46, Block A, Plaza Sinar,<br/>Jalan 8/38D, Taman Sri Sinar,<br/>Segambut<br/>51200 Kuala Lumpur<br/>Tel : 03-62729637<br/>Fax : 03-62729736</p> | <p>91 Ground &amp; Mezzanine Floor<br/>Wisma Sin Heap Lee<br/>No. 346, Jalan Tun Razak<br/>50400 Kuala Lumpur<br/>Tel : 03-21631457<br/>Fax : 03-21631469</p>                   |

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |   |   |  |
|---|---|--|
| <p>92 No 166 - 168 Jalan 2/3A<br/>Off KM 12 Jalan Ipoh<br/>68100 Batu Caves<br/>Kuala Lumpur<br/>Tel : 03-61388988<br/>Fax : 03-61360388</p> <p>93 No 38, Jalan 7/108C<br/>Jalan Sungai Besi<br/>Taman Sungai Besi<br/>57100 Kuala Lumpur<br/>Tel : 03-79800747<br/>Fax : 03-79803652</p> <p>94 No.15,16 &amp;17, Jalan Midah Satu<br/>Taman Midah, Cheras<br/>56000 Kuala Lumpur<br/>Tel : 03-91319388<br/>Fax : 03-91326388</p> <p>95 Ground Floor, Menara Raja Laut<br/>No 288, Jalan Raja Laut<br/>50350 Kuala Lumpur<br/>Tel : 03-26942288<br/>Fax : 03-26947588</p> <p>96 No 10, Jalan 1/27B, Seksyen 1<br/>Bandar Baru Wangsa Maju<br/>53300 Kuala Lumpur<br/>Tel : 03-41422989<br/>Fax : 03-41437588</p> <p>97 Ground &amp; Mezzanine Floor<br/>NO. 2-21A &amp; 2-21A1<br/>Jalan Desa 1/1, Desa Aman Puri<br/>52100 Kepong<br/>Kuala Lumpur<br/>Tel : 03-62735688<br/>Fax : 03-62728588</p> <p>98 Unit E-1-2, Level Block E<br/>Pusat Komersial Southgate<br/>No. 2 Jalan Dua<br/>Off Jalan Chan Sow Lin<br/>55200 Kuala Lumpur<br/>Tel : 03-92210813<br/>Fax : 03-92210803</p> | <p>99 Ground &amp; 1st Floor,<br/>Unit 25-G &amp; 25-1,<br/>Signature Office, Mid Valley City,<br/>Lingkar Syed Putra,<br/>59200 Kuala Lumpur<br/>Tel : 03-22820462<br/>Fax : 03-22820143</p> <p>100 Ground Floor,<br/>No. 111, Jalan Dwtiasik 1<br/>Bandar Sri Permaisuri,<br/>56100 Kuala Lumpur<br/>Tel : 03-91710861<br/>Fax : 03-91710781</p> <p>101 Lot No. 70, Level G2,<br/>Publika Shopping Galleary,<br/>Solaris Dutamas, Jalan Dutamas 1,<br/>50480 Kuala Lumpur<br/>Tel : 03-62053078<br/>Fax : 03-62053041</p> <p>102 Tingkat Bawah, No. 6 &amp; 8, Blok 5,<br/>Blok 5, Jalil Link,<br/>Jalan Jalil Jaya 6, Bukit Jalil,<br/>57000 Kuala Lumpur<br/>Tel : 03-89939034<br/>Fax : 03-89987013</p> <p>103 Ground &amp; First Floor,<br/>No. 63, Jalan Medan Putra 1<br/>Medan Putra Business Centre,<br/>52200 Kuala Lumpur<br/>Tel : 03-62701460<br/>Fax : 03-62701452</p> <p>104 Islamic Branch<br/>Ground &amp; First Floor,<br/>Jalan Setiawangsa 10/55A,<br/>Taman Setiawangsa,<br/>54200 Kuala Lumpur<br/>Tel : 03-42511258<br/>Fax : 03-42511293</p> <p>105 Ground &amp; 1st Floor,<br/>NO 10-G-1, Jalan 14/48A,<br/>The Boulevard ShopOffice<br/>of Jalan Sentul,<br/>51000 Kuala Lumpur.<br/>Tel : 03-40504528<br/>Fax : 03-40507679</p> | <p><b>SELANGOR DARUL EHSAN</b></p> <p>106 80 &amp; 82, Jalan Othman (1/14)<br/>46000 Petaling Jaya,<br/>Selangor Darul Ehsan<br/>Tel : 03-77814259<br/>Fax : 03-77810133</p> <p>107 No. 3, Jalan Takal 15/21,<br/>Seksyen 15,<br/>40000 Shah Alam,<br/>Selangor Darul Ehsan<br/>Tel : 03-55109021<br/>Fax : 03-55105307</p> <p>108 No. 59A, Jalan Welman,<br/>48000 Rawang,<br/>Selangor Darul Ehsan<br/>Tel : 03-60910459<br/>Fax : 03-60934482</p> <p>109 Wisma Amsteel Securities,<br/>No. 1, Lintang Pekan Baru,<br/>Off Jalan Meru, 41050 Klang,<br/>Selangor Darul Ehsan<br/>Tel : 03-33437635<br/>Fax : 03-33437621</p> <p>110 No. 119 &amp; 121,<br/>Jalan Sultan Abdul Samad<br/>42700 Banting,<br/>Selangor Darul Ehsan<br/>Tel : 03-31876757<br/>Fax : 03-31876652</p> <p>111 No. 64, Jalan Stesen,<br/>45000 Kuala Selangor<br/>Selangor Darul Ehsan<br/>Tel : 03-32895957<br/>Fax : 03-32895955</p> <p>112 W-1-0, W-2-0 &amp; W-1-1,<br/>Subang Square Business Centre<br/>Jalan SS15/4G,<br/>47500 Subang Jaya,<br/>Selangor Darul Ehsan<br/>Tel : 03-56329034<br/>Fax : 03-56328764</p> |
|---|---|--|

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |   |   |  |
|---|---|--|
| <p>113 No. 91, Lorong Memanda 1, Ampang Point, 68000 Ampang, Selangor Darul Ehsan<br/>Tel : 03-42532449<br/>Fax : 03-42532505</p>                                   | <p>120 No. 174 &amp; 174A, Jalan Besar, 42800 Tanjung Sepat, Kuala Langat, Selangor Darul Ehsan<br/>Tel : 03-31972059<br/>Fax : 03-31972257</p>                     | <p>128 <b>Islamic Branch</b><br/>No. 10, Jalan Tengku Ampuan Zabedah D9/D, Seksyen 9, 40100 Shah Alam Selangor Darul Ehsan<br/>Tel : 03-58808047<br/>Fax : 03-58808726</p> |
| <p>114 No. 2, Jalan Kinrara, Taman Kinrara, Jalan Puchong, 47100 Puchong, Selangor Darul Ehsan<br/>Tel : 03-80752994<br/>Fax : 03-80701635</p>                      | <p>121 No. 23 &amp; 24, Jalan KIP 1, Taman Perindustrian KIP, 52200 Selangor Darul Ehsan<br/>Tel : 03-62776310<br/>Fax : 03-62722687</p>                            | <p>129 No. 25-29G, Jalan SS21/60, 47400 Damansara Utama, Petaling Jaya, Selangor Darul Ehsan<br/>Tel : 03-77269822<br/>Fax : 03-77264037</p>                               |
| <p>115 No. 24, Medan Taming 2, Taman Taming Jaya, 43300 Balakong, Selangor Darul Ehsan<br/>Tel : 03-89615948<br/>Fax : 03-89615951</p>                              | <p>122 No. 18 &amp; 20, Jalan 20/16A, Taman Paramount, 46300 Petaling Jaya, Selangor Darul Ehsan<br/>Tel : 03-78765115<br/>Fax : 03-78764836</p>                    | <p>130 29-1, Jalan SP 2/1, Taman Serdang Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan<br/>Tel : 03-89430795<br/>Fax : 03-89430867</p>                               |
| <p>116 63 &amp; 65, SS23/15, Taman Sea, 47400 Petaling Jaya, Selangor Darul Ehsan<br/>Tel : 03-78048024<br/>Fax : 03-78044049</p>                                   | <p>123 No. 15 &amp; 16, Jalan Menteri Besar 2, New Sekinchan Business Centre, 45400 Sekinchan, Selangor Darul Ehsan<br/>Tel : 03-32416351<br/>Fax : 03-32416303</p> | <p>131 No. G-16 &amp; G-17, Jalan Prima SG1 Taman Prima Sri Gombak, 68100 Batu Caves, Selangor Darul Ehsan<br/>Tel : 03-61842492<br/>Fax : 03-61852689</p>                 |
| <p>117 12 &amp; 14, Jalan PJS 11/28A, Metro Bandar Sunway, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan<br/>Tel : 03-56375395<br/>Fax : 03-56375397</p> | <p>124 No. 36, Jalan Dato Shahbuddin 30, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan<br/>Tel : 03-51611602<br/>Fax : 03-51611919</p>                           | <p>132 No. 68, Lorong Batu Nilam 4A, Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan<br/>Tel : 03-33249490<br/>Fax : 03-33241339</p>                                  |
| <p>118 No. 1 &amp; 3, Jalan Sri Sarawak 17, Taman Sri Andalas, 41200 Klang, Selangor Darul Ehsan<br/>Tel : 03-33242545<br/>Fax : 03-33242553</p>                    | <p>125 No. 39 &amp; 41, Jalan SJ 17, Taman Selayang Jaya, 68100 Batu Caves, Selangor Darul Ehsan<br/>Tel : 03-61206803<br/>Fax : 03-61206797</p>                    | <p>133 1 &amp; 3, Jalan Seri Tanming 1F, Taman Seri Tanming , Batu 9, 43200 Cheras, Selangor Darul Ehsan<br/>Tel : 03-61003770<br/>Fax : 03-91003760</p>                   |
| <p>119 No. 11 &amp; 13, Jalan M/J 1, Taman Majlis Jaya, Jalan Sungai Chua, 43000 Kajang, Selangor Darul Ehsan<br/>Tel : 03-87376090<br/>Fax : 03-87376517</p>       | <p>126 169, Jalan Teluk Pulai, 41100 Klang, Selangor Darul Ehsan<br/>Tel : 03-33721000<br/>Fax : 03-33727111</p>  | <p>134 No. 7 &amp; 9, Jalan Bunga Tanjung 6A, Taman Putra, 68000 Ampang, Selangor Darul Ehsan<br/>Tel : 03-42939988<br/>Fax : 03-42939898</p>                              |
|   | <p>127 1G-3G, Jalan Wawasan 2/10, Bandar Baru Ampang , 68000 Ampang, Selangor Darul Ehsan<br/>Tel : 03-42910437<br/>Fax : 03-42928006</p>                           |  |

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |   |  |   |
|---|--|---|
| <p>135 No. 22 &amp; 24, Jalan 14/14,<br/>46100 Petaling Jaya,<br/>Selangor Darul Ehsan<br/>Tel : 03-79568490<br/>Fax : 03-79550425</p>  | <p>142 No. 5 &amp; 7, Jalan Besar Susur 1<br/>43300 Seri Kembangan,<br/>Selangor Darul Ehsan<br/>Tel : 03-89483162<br/>Fax : 03-89485031</p>   | <p>149 Lot 9, Blok C, GIZA Dataran Sunway<br/>Kota Damansara<br/>47810 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-61481613<br/>Fax : 03-61481621</p>         |
| <p>136 Wisma Keringat 2,<br/>No. 17, Lorong Batu Caves,<br/>68100 Batu Caves,<br/>Selangor Darul Ehsan<br/>Tel : 03-61877402<br/>Fax : 03-61878042</p>  | <p>143 No. 7 &amp; 9, Jalan Pasar Baru 2,<br/>Seksyen 3,<br/>Bandar Semenyih,<br/>43500 Semenyih,<br/>Selangor Darul Ehsan<br/>Tel : 03-87248639<br/>Fax : 03-87247743</p>                                 | <p>150 Lot 2 &amp; 2A, Jalan Cheras Maju<br/>Pusat Perniagaan Cheras Maju<br/>43200 Balakong<br/>Selangor Darul Ehsan<br/>Tel : 03-90744205<br/>Fax : 03-90747194</p> |
| <p>137 Ground Floor, Tower A,<br/>PJ City Development<br/>15A, Jalan 219, Section 51A,<br/>Lebuhraya Persekutuan,<br/>46100 Petaling Jaya,<br/>Selangor Darul Ehsan<br/>Tel : 03-78771629<br/>Fax : 03-78761384</p> | <p>144 No. 48, Jalan Bandar Tiga,<br/>Pusat Bandar Puchong,<br/>47100 Puchong,<br/>Selangor Darul Ehsan<br/>Tel : 03-58822070<br/>Fax : 03-58822869</p>  | <p>151 No 5, Jalan SL 1/4<br/>Bandar Sungai Long<br/>43000 Kajang<br/>Selangor Darul Ehsan<br/>Tel : 03-90749950<br/>Fax : 03-90750902</p>                            |
| <p>138 No. E-01-07 &amp; E-01-08,<br/>Jalan Puchong Prima 5/3,<br/>Puchong Prima<br/>47100 Puchong<br/>Selangor Darul Ehsan<br/>Tel : 03-80683285<br/>Fax : 03-80605427</p>   | <p>145 No. 16, Jalan SS19/6,<br/>47500 Subang Jaya,<br/>Selangor Darul Ehsan<br/>Tel : 03-56368295<br/>Fax : 03-56321313</p>   | <p>152 No 36, Jalan Sulaiman<br/>43000 Kajang<br/>Selangor Darul Ehsan<br/>Tel : 03-87341093<br/>Fax : 03-87342082</p>  |
| <p>139 No. 2, Jalan Public,<br/>Kg Baru Sungai Buloh,<br/>Sek U19, Shah Alam.<br/>40160 Selangor Darul Ehsan<br/>Tel : 03-61569385<br/>Fax : 03-61569796</p>  | <p>146 A-G-08 &amp; A-G-09, Glomac Square,<br/>Jalan SS6/5A, Dataran Glomac,<br/>Pusat Bandar Kelana Jaya<br/>47301 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-78051178<br/>Fax : 03-78042611</p> | <p>153 No 216 &amp; 218, Persiaran Pegaga<br/>Taman Bayu Perdana<br/>41200 Klang<br/>Selangor Darul Ehsan<br/>Tel : 03-33243303<br/>Fax : 03-33243305</p>             |
| <p>140 Lot G-18 &amp; G-19, Perdana The Place,<br/>Damansara Perdana,<br/>47820 Petaling Jaya,<br/>Selangor Darul Ehsan<br/>Tel : 03-77241357<br/>Fax : 03-77242167</p>   | <p>147 No. 2 Jalan Puteri 2/4<br/>Bandar Puteri<br/>47100 Puchong<br/>Selangor Darul Ehsan<br/>Tel : 03-80636839<br/>Fax : 03-80686378</p>   | <p>154 No. 9 &amp; 11, Jalan 52/2<br/>Petaling Jaya New Town Centre<br/>46200 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-79586488<br/>Fax : 03-79571405</p>  |
| <p>141 No. 64, Jalan BRP 1/2,<br/>Bukit Rahman Putra,<br/>47000 Sungai Buloh,<br/>Selangor Darul Ehsan<br/>Tel : 03-61574042<br/>Fax : 03-61575610</p>  | <p>148 No. 1 Jalan Temenggung 21/9<br/>Bandar Mahkota Cheras<br/>43200 Cheras<br/>Selangor Darul Ehsan<br/>Tel : 03-90746682<br/>Fax : 03-90747236</p>   | <p>155 No 90, Persiaran Raja Muda Musa<br/>42000 Pelabuhan Klang<br/>Selangor Darul Ehsan<br/>Tel : 03-31661188<br/>Fax : 03-31671488</p>                             |
|   |  | <p>156 No 3, Jalan Bandar Satu<br/>Pusat Bandar Puchong<br/>47100 Puchong<br/>Selangor Darul Ehsan<br/>Tel : 03-58824388<br/>Fax : 03-80751433</p>                    |



## BRANCH NETWORK

AS AT 30 JUNE 2016

- |  |   |   |
|--|---|---|
| <p>157 No 26 &amp; 27 Jalan Kenari 1<br/>Bandar Puchong Jaya<br/>47100 Puchong<br/>Selangor Darul Ehsan<br/>Tel : 03-58827100<br/>Fax : 03-58827116</p>                | <p>165 No.26-32, Jalan Kapar<br/>41400 Klang<br/>Selangor Darul Ehsan<br/>Tel : 03-33431188<br/>Fax :03-33432988</p>  | <p>172 Ground Floor, No.4G &amp; 6G Jalan<br/>Equine 1B,<br/>Taman Equine Boulevard,<br/>43300 Seri Kembangan,<br/>Selangor Darul Ehsan<br/>Tel : 03-89381400<br/>Fax : 03-89382308</p> |
| <p>158 No 34, Jalan Perbahan Satu<br/>Seksyen 26/2A<br/>40000 Shah Alam<br/>Selangor Darul Ehsan<br/>Tel : 03-51918888<br/>Fax : 03-51916298</p>                       | <p>166 No. 19, Jalan Setia Prima R U13/R<br/>Setia Alam, Section U13<br/>40170 Shah Alam<br/>Selangor Darul Ehsan<br/>Tel : 03-33446888<br/>Fax : 03-33448488</p>                                   | <p>173 Lot 529, Jalan Besar,<br/>Pekan Kapar,<br/>42200 Klang,<br/>Selangor Darul Ehsan<br/>Tel : 03-32501784<br/>Fax : 03-32501752</p>   |
| <p>159 No. 28 &amp; 30, Jalan SS2/67<br/>47300 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-78776800<br/>Fax : 03-78776686</p>                                  | <p>167 No. 3-G, Jalan Anggerik<br/>Vanilla N31/N, Kota Kemuning<br/>40460 Shah Alam<br/>Selangor Darul Ehsan<br/>Tel : 03-51225912<br/>Fax : 03-51225917</p>  | <p>174 No. 8, Jalan UP 1/5,<br/>Taman Ukay Perdana,<br/>68000 Ampang,<br/>Selangor Darul Ehsan<br/>Tel : 03-41012143<br/>Fax : 03-41012139</p>  |
| <p>160 No 32 &amp; 34, Jalan 21/19<br/>SEA Park<br/>46300 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-78745968<br/>Fax : 03-78745488</p>                       | <p>168 No. 1 &amp; 3, Jalan PJU 1/43,<br/>Aman Suria,<br/>47301 Petaling Jaya,<br/>Selangor Darul Ehsan<br/>Tel : 03-78030969<br/>Fax : 03-78030542</p>   | <p>175 Ground &amp; First Floor,<br/>No.8, Jalan Suarasa 8/5,<br/>Bandar Tun Hussein Onn,<br/>Cheras, 43200 Selangor<br/>Darul Ehsan.<br/>Tel : 03-90741501<br/>Fax : 03-90741196</p>   |
| <p>161 Lot 43 &amp; 45, Jalan USJ10/1G<br/>47620 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-56371984<br/>Fax : 03-56371989</p>                                | <p>169 Ground Floor,<br/>No. 35, Lorong Tiara 1B,<br/>Bandar Baru Klang,<br/>41150 Klang,<br/>Selangor Darul Ehsan<br/>Tel : 03-33414351<br/>Fax : 03-33414958</p>                                  | <p>176 NO. 21, Jalan BS10/6,<br/>Seksyen 10, Bukit Serdang,<br/>43300 Seri Kembangan,<br/>Selangor Darul Ehsan<br/>Tel : 03-89455688<br/>Fax : 03-89423889</p>                          |
| <p>162 No 51 &amp; 53, Jalan TSB 10A<br/>Taman Industri Sungai Buloh<br/>47000 Sungai Buloh<br/>Selangor Darul Ehsan<br/>Tel : 03-61575811<br/>Fax : 03-61575812</p>   | <p>170 Ground Floor, Lot G01,<br/>Giant Hypermarket Putra Heights,<br/>Persiaran Putra Perdana,<br/>47560 Putra Heights,<br/>Selangor Darul Ehsan<br/>Tel : 03 - 51019006<br/>Fax : 03-51019003</p> | <p>177 Ground &amp; 1st Floor,<br/>No. 25, Jalan Wangsa Delima 13<br/>D'Wangsa, Wangsa Maju,<br/>53300 Kuala Lumpur<br/>Tel : 03-41421069<br/>Fax : 03-41420941</p>                     |
| <p>163 No. 2, Jalan PJU 5/8<br/>Dataran Sunway, Kota Damansara<br/>47810 Petaling Jaya<br/>Selangor Darul Ehsan<br/>Tel : 03-61413886<br/>Fax : 03-61412316</p>        | <p>171 Ground Floor, No. 109 &amp; 111,<br/>Jalan Mahogani 5,<br/>Bandar Botanic,<br/>41200 Klang,<br/>Selangor Darul Ehsan<br/>Tel : 03-33230526<br/>Fax : 03-33221560</p>                         | <p>178 No. 1-GM, Jalan Perdana 4/6,<br/>55300, Pandan Perdana,<br/>Kuala Lumpur<br/>Tel : 03-92878735<br/>Fax : 03-92877630</p>   |
| <p>164 No. 5 &amp; 7, Jalan Cempaka 1<br/>Taman Cempaka,<br/>48200 Serendah<br/>Hulu Selangor<br/>Selangor Darul Ehsan<br/>Tel : 03-60813182<br/>Fax : 03-60813186</p> |   |   |



## BRANCH NETWORK

AS AT 30 JUNE 2016

179 19, Jalan 54, Desa Jaya  
52100 Kepong,  
Kuala Lumpur  
Tel : 03-62763701  
Fax : 03-62722012

180 No 1 & 3, Jalan Pandan Jaya 3/5  
Pandan Jaya  
55100 Kuala Lumpur  
Tel : 03-92837988  
Fax : 03-92829788

181 No. 23GM & 25GM  
Jalan Pandan Indah 4/8  
Pandan Indah  
55100 Kuala Lumpur  
Tel : 03-42972253  
Fax : 03-42972258

182 **Islamic Branch**  
Lot G13A,  
Dpulze Shopping Centre Cyberjaya,  
63000 Sepang,  
Selangor Darul Ehsan  
Tel : 03-8318 0473  
Fax : 03-8318 0255

183 Ground & First Floor,  
No. 19, Jalan Kijang,  
Taman Suntex,  
Batu 9 Cheras,  
43200 Selangor Darul Ehsan  
Tel : 03-9075 2006  
Fax : 03- 9074 0631

184 No. 2, Jalan Bangi Avenue 1/8,  
Taman Bangi Avenue, Kajang,  
43000 Selangor Darul Ehsan  
Tel : 03-8912 3192  
Fax : 03-8912 1645

185 No. 120, Jalan PUJ 3/2,  
Taman Puncak Jalil,  
Bandar Putra Permai,  
Seri Kembangan,  
43300 Seri Kembangan,  
Selangor Darul Ehsan  
Tel : 03-8938 1190  
Fax : 03-8938 1962

### MELAKA

186 345, Jalan Ong Kim Wee,  
75300 Melaka  
Tel : 06-2842309  
Fax : 06-2830153

187 150 & 152,  
Kompleks Munshi Abdullah,  
Jalan Munshi Abdullah,  
75100 Melaka  
Tel : 06-2865988  
Fax : 06-2830399

188 Lot BB-371A & B  
Taman Melaka Baru  
Batu Berendam  
75350 Melaka  
Tel : 06-3173235  
Fax : 06-3172660

189 Lot 215 & 310, Jalan Besar  
Masjid Tanah  
78300 Melaka  
Tel : 06-3847137  
Fax : 06-3847232

190 No. 1, 1-1 & 3,  
Jalan Malim Jaya 2/7A  
Taman Malim Permai  
75250 Melaka  
Tel : 06-3363188  
Fax : 06-3373188

191 No. 67 & 69, Jalan Merdeka  
Taman Melaka Raya  
75300 Melaka  
Tel : 06-2812688  
Fax : 06-2812588

192 No. 67 & 69,  
Jalan Merdeka No 76 & 76-1,  
Jalan Inang 4 (Cheng),  
Taman Paya Rumput Utama,  
76300 Paya Rumput, Melaka  
Tel : 06-334 2266  
Fax : 06-334 1520

### NEGERI SEMBILAN DARUL KHUSUS

193 100, Jalan Gurney,  
72100 Bahau,  
Negeri Sembilan Darul Khusus  
Tel : 06-4541413  
Fax : 06-4545358

194 No. 69, 70 & 71,  
Jalan Dato Bandar Tunggal,  
70000 Seremban,  
Negeri Sembilan Darul Khusus  
Tel : 06-7628699  
Fax : 06-7638288

195 112, Jalan Yam Tuan Raden,  
72000 Kuala Pilah,  
Negeri Sembilan Darul Khusus  
Tel : 06-4816922  
Fax : 06-4813284

196 Lot PT 5759 & 5730, Jalan TS 2/1D,  
Taman Semarak,  
71800 Nilai,  
Negeri Sembilan Darul Khusus  
Tel : 06-7995289  
Fax : 06-7995292

197 1278, Jalan Rasah,  
70300 Seremban,  
Tel : 06-7615789  
Fax : 06-7615801

198 Lot 3120 & 3121  
Jalan Besar, Lukut  
71010 Port Dickson  
Negeri Sembilan Darul Khusus  
Tel : 06-6511878  
Fax : 06-6511900

199 145-G, 145-1 & 146-G,  
Block M, Taipan Senawang  
Jalan Taman Komersil Senawang 1  
Senawang Commercial Park  
70450 Senawang  
Negeri Sembilan Darul Khusus  
Tel : 06-6762788  
Fax : 06-6783788

## BRANCH NETWORK

AS AT 30 JUNE 2016

200 Ground, First & Second Floor  
No. 7 & 8, Jalan S2B15  
Biz Avenue, Seremban 2  
70300 Seremban  
Negeri Sembilan Darul Khusus  
Tel : 06-6017488  
Fax : 06-6016718

### JOHOR DARUL TAKZIM

201 12-16, Jalan Wong Ah Fook  
80000 Johor Bharu,  
Johor Darul Takzim  
Tel : 07-2228311  
Fax : 07-2249317

202 No. 70, Jalan Segamat,  
85300 Labis,  
Johor Darul Takzim  
Tel : 07-9251200  
Fax : 07-9251336

203 Lot. No. 24 & 25,  
Jalan Ahmad Ujan,  
Taman Kota Besar  
81900 Kota Tinggi ,  
Johor Darul Takzim  
Tel : 07-8832020  
Fax : 07-8835989

204 120-122, Jalan Mersing  
80000 Kluang,  
Johor Darul Takzim  
Tel : 07-7732233  
Fax : 07-7724170

205 No. 173 & 175, Jalan Sri Pelangi,  
Taman Pelangi,  
80400 Johor Bahru,  
Johor Darul Takzim  
Tel : 07-3353614  
Fax : 07-3342598

206 6 & 8, Jalan Nakhoda 12,  
Taman Ungku Tun Aminah,  
81300 Skudai,  
Johor Darul Takzim  
Tel : 07-5566681  
Fax : 07-5566682

207 No. 6 & 7, Jalan Anggerik 1,  
Taman Kulai Utama,  
81000 Kulai,  
Johor Darul Takzim  
Tel : 07-6635282  
Fax : 07-6632336

208 No. LC 531, Jalan Payamas,  
84900 Tangkak,  
Johor Darul Takzim  
Tel : 06-9781994  
Fax : 06-9784684

209 109 Main Road,  
83700 Yong Peng,  
Johor Darul Takzim  
Tel : 07-4672350  
Fax : 07-4674185

210 No. 39 & 41, Jalan Kebudayaan 1,  
Taman Universiti,  
81300 Skudai,  
Johor Darul Takzim  
Tel : 07-5217817  
Fax : 07-5217726

211 Ground & Mezzanine Floor,  
Penggaram Complex,  
No. 1, Jalan Abdul Rahman,  
Off Jalan Rahmat,  
83000 Batu Pahat,  
Johor Darul Takzim  
Tel : 07- 4314435  
Fax : 07-4310641

212 No. 8, Jalan Station,  
80000 Johor Bharu,  
Johor Darul Takzim  
Tel : 07-2228462  
Fax : 07-2763085

213 80, Jalan Dedap 13,  
Taman Johor Jaya,  
81100 Johor Bharu,  
Johor Darul Takzim  
Tel : 07-3546320  
Fax : 07-3552311

214 No. 2, Jalan Jati Satu,  
Taman Nusa Bestari Jaya,  
81300 Skudai,  
Johor Darul Takzim  
Tel : 07-5112596  
Fax : 07-5113492

215 No. 5, Jalan Camar 1/3,  
Taman Perling,  
81200 Pulai  
Johor Darul Takzim  
Tel : 07-231 5199  
Fax : 07-231 5119

216 No 21 & 23, Jalan Indah 15/1  
Bukit Indah  
81200 Johor Bahru  
Johor Darul Takzim  
Tel : 07-2391388  
Fax : 07-2325988

217 No 9 - 11, Jalan Kundang  
Taman Bukit Pasir  
83000 Batu Pahat  
Johor Darul Takzim  
Tel : 07-4337488  
Fax : 07-4341488

218 No 35, 37 & 39, Jalan Johar 1  
Taman Desa Cemerlang  
81800 Ulu Tiram  
Johor Darul Takzim  
Tel : 07-8617488  
Fax : 07-8614588

219 No 8-10, Jalan Nusaria 11/7,  
Taman Nusantara  
81550 Gelang Patah  
Johor Darul Takzim  
Tel : 07-553 9749  
Fax : 07-553 9742

220 No 105 & 106, Jalan Besar  
81750 Masai  
Johor Darul Takzim  
Tel : 07-2522960  
Fax : 07-2522963

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |  |   |  |
|--|---|--|
| <p>221 No 30 &amp; 31, Jalan Mawar 1<br/>Taman Mawar<br/>81700 Pasir Gudang<br/>Johor Darul Takzim<br/>Tel : 07-2522740<br/>Fax : 07-2522723</p>   | <p>228 No. 43A &amp; 45, Jalan Genuang<br/>Kampung Abdullah<br/>85000 Segamat<br/>Johor Darul Takzim<br/>Tel : 07-9313650<br/>Fax : 07-9313560</p>                                      | <p>235 Ground &amp; First Floor,<br/>No. 345A, Jalan Ismail,<br/>86800 Mersing,<br/>Johor Darul Takzim<br/>Tel : 07-7996018<br/>Fax : 07-7996013</p> |
| <p>222 No 1-1A-1B &amp; 1C,<br/>Jalan Belimbing<br/>81400 Senai<br/>Johor Darul Takzim<br/>Tel : 07-5994598<br/>Fax : 07-5994231</p>   | <p>229 No. 20-21, Jalan Harimau Tarum<br/>Taman Abad<br/>80250 Johor Bahru<br/>Johor Darul Takzim<br/>Tel : 07-3311421<br/>Fax : 07-3311409</p>   | <p><b>PAHANG DARUL MAKMUR</b></p>  |
| <p>223 Ground Floor<br/>Bgn. Persekutuan Tiong Hua<br/>Johor Baru<br/>No. 8, Jalan Keris<br/>Taman Sri Tebrau<br/>80400 Johor Bahru<br/>Johor Darul Takzim<br/>Tel : 07-3321323<br/>Fax : 07-3325841</p> | <p>230 No. 29 &amp; 31, Jalan Molek 2/4<br/>Taman Molek<br/>81100 Johor Bahru<br/>Johor Darul Takzim<br/>Tel : 07-3537003<br/>Fax : 07-3536997</p>                                      | <p>236 59 &amp; 60, Jalan Temerloh,<br/>Locked Bag No. 9<br/>28409 Mentakab,<br/>Pahang Darul Makmur<br/>Tel : 09-2772953<br/>Fax : 09-2772995</p>   |
| <p>224 No 1 &amp; 3, Jalan Persiaran<br/>Tanjung Susur 1, Taman Bukit Alif<br/>Tampoi, 81200 Johor Bahru<br/>Johor Darul Takzim<br/>Tel : 07-2355930<br/>Fax : 07-2355927</p>                            | <p>231 No. 25 &amp; 25A,<br/>Jalan Kenanga 29/1,<br/>Indahpura,<br/>81000 Kulai<br/>Johor Darul Takzim<br/>Tel : 07-6626388<br/>Fax : 07-6626366</p>                                    | <p>237 No. 25, Jalan Tun Ismail,<br/>25000 Kuantan ,<br/>Pahang Darul Makmur<br/>Tel : 09-5157288<br/>Fax : 09-5157130</p>                           |
| <p>225 No. 21, Jalan Permas 10/1<br/>Bandar Baru Permas Jaya<br/>81750 Masai<br/>Johor Darul Takzim<br/>Tel : 07-3871828<br/>Fax : 07-3875330</p>  | <p>232 No. 3, Pusat Dagangan Bakri<br/>Jalan Bakri<br/>84000 Muar<br/>Johor Darul Takzim<br/>Tel : 06-9542888<br/>Fax : 06-9548333</p>  | <p>238 No. 39 &amp; 41 , Jalan Tun Razak,<br/>27600 Raub,<br/>Pahang Darul Makmur<br/>Tel : 09-3554422<br/>Fax : 09-3554455</p>                      |
| <p>226 Ground &amp; 1st Floor<br/>No. 115, Jalan Sutera Tanjung 8/2<br/>Taman Sutera Utama<br/>81300 Skudai<br/>Johor Darul Takzim<br/>Tel : 07-5548298<br/>Fax : 07-5548248</p>                         | <p>233 Ground Floor, No. 121 &amp; 123,<br/>Jalan Austin Heights 3,<br/>Taman Mount Austin,<br/>81100 Johor Bahru,<br/>Johor Darul Takzim<br/>Tel : 07-3511687<br/>Fax : 07-3511469</p> | <p>239 F105 &amp; F106, Jalan Kuantan,<br/>28000 Temerloh,<br/>Pahang Darul Makmur<br/>Tel : 09-2967492<br/>Fax : 09-2967553</p>                     |
| <p>227 No 30 &amp; 31, Jalan Delima<br/>Pusat Perdagangan Pontian<br/>82000 Pontian<br/>Johor Darul Takzim<br/>Tel : 07-6875002<br/>Fax : 07-6874998</p>   | <p>234 Ground Floor,<br/>No. 1, Jalan Setia Tropika 1/15,<br/>Taman Setia Tropika,<br/>81200 Johor Bahru,<br/>Johor Darul Takzim<br/>Tel : 07-2359531<br/>Fax : 07-2350951</p>          | <p>240 36, Main Road, Tanah Rata,<br/>39000 Cameron Highlands,<br/>Pahang Darul Makmur<br/>Tel : 05-4911941<br/>Fax : 05-4911158</p>                 |
|  |   | <p>241 1, Bentong Heights,<br/>28700 Bentong<br/>Pahang Darul Makmur<br/>Tel : 09-2221080<br/>Fax : 09-2223592</p>                                   |
|  |   | <p>242 No B278 &amp; B280, Jalan Beserah<br/>25300 Kuantan<br/>Pahang Darul Makmur<br/>Tel : 09-5664100<br/>Fax : 09-5664800</p>                     |

# BRANCH NETWORK

AS AT 30 JUNE 2016

243 No. 113 Jalan Inderapura 1  
Bandar Inderapura  
27000 Jerantut  
Pahang  
Tel : 09-2663184  
Fax : 09-2663205

249 No. 5686 & 5694-B  
Jalan Kubang Kurus  
24000 Kemaman  
Terengganu  
Tel : 09-8588898  
Fax : 09-8588858

256 Ground, 1st & 2nd Floor  
Lot No. 4, 5 & 6, Block C  
Lorong KK Taipan 2  
Inanam New Township  
88450 Kota Kinabalu, Sabah  
Tel : 088-437601  
Fax : 088-437596

## KELANTAN DARUL NAIM

244 **Islamic Branch**  
Ground & Mezzanine Floor  
No. 1121A & 1121B  
Jalan Padang Garong,  
Seksyen 12  
15000 Kota Bharu  
Kelantan Darul Naim  
Tel : 09-7438188  
Fax : 09-7436188

245 PT 320 & 321, Seksyen 25  
Jalan Sultan Yahya Petra  
15200 Kota Bharu  
Kelantan Darul Naim  
Tel : 09-7486888  
Fax : 09-7470833

## TERENGGANU DARUL IMAN

246 Lot 3594 & 3595,  
Jalan Baru Pak Sabah,  
23000 Dungun,  
Terengganu Darul Iman  
Tel : 09-8482766  
Fax : 09-8484480

247 **Islamic Branch**  
No. 31, Jalan Sultan Ismail,  
20200 Kuala Terengganu,  
Terengganu Darul Iman  
Tel : 09-6244458  
Fax : 09-6244261

248 No. 1107 R,S&T, Jalan Pejabat  
20200 Kuala Terengganu  
Terengganu Darul Iman  
Tel : 09-6242505  
Fax : 09-6242372

## SABAH

250 Ground & 1st Floor,  
Lot. No. 1, Block 35,  
Fajar Commercial Complex,  
Jalan Lembaga  
91013 Tawau, Sabah  
Tel : 089-770393  
Fax : 089-770403

251 No. 5 & 6 (Ground Floor),  
Lorong Lintas Plaza 1  
Lintas Plaza,  
88300 Kota Kinabalu,  
Sabah  
Tel : 088-318806  
Fax : 088-316226

252 Lot 1,2 & 3, Block 18, Mile 4,  
North Road, Bandar Indah,  
90722 Sandakan,  
Sabah  
Tel : 089-229545  
Fax : 089-212731

253 Ground Floor, Wisma Sandaraya,  
Humphrey Street,  
90000 Sandakan,  
Sabah  
Tel : 089-226911  
Fax : 089-275499

254 19, Jalan Haji Saman,  
P.O. Box 11989,  
88821 Kota Kinabalu,  
Sabah  
Tel : 088-235699  
Fax : 088-218386

255 No 8, Jalan Pantai  
Locked Bag No.124  
88999 Kota Kinabalu  
Sabah  
Tel : 088-214733  
Fax : 088-233134

257 Lot 3-0-14 to 3-0-16  
Block 3, Lorong Api-Api 2  
Api-Api Centre  
88000 Kota Kinabalu  
Sabah  
Tel : 088-247688  
Fax : 088-246327

258 MDLD 4712, Lot 4  
Jalan Kastam Lama  
91100 Lahad Datu  
Sabah  
Tel : 089-884488  
Fax : 089-884848

259 No. 38, Block E,  
Alamesra Plaza Permai,  
88400 Kota Kinabalu,  
Sabah  
Tel : 088-486510  
Fax : 088-486516

## SARAWAK

260 No. 35, Jalan Khoo Hun Yeang,  
93000 Kuching,  
Sarawak  
Tel : 082-240311  
Fax : 082-415466  
(formerly known as Electra House)

261 42, Jalan Pending,  
93450 Kuching,  
Sarawak  
Tel : 082-336666  
Fax : 082-336912

262 Lot 3073 & 3074,  
Jalan Abang Galau,  
97000 Bintulu,  
Sarawak  
Tel : 086-332393  
Fax : 086-332433

## BRANCH NETWORK

AS AT 30 JUNE 2016

- |   |  |  |
|---|--|--|
| <p>263 No. 133, 135 &amp; 137,<br/>Jalan Kampung Nyabor<br/>96000 Sibul,<br/>Sarawak<br/>Tel : 084-332698<br/>Fax : 084-312081</p>  | <p>270 No. 722, Jalan Masjid,<br/>P.O. Box 19,<br/>96400 Mukah,<br/>Sarawak<br/>Tel : 084-871726<br/>Fax : 084-871737</p>  | <p>277 Ground &amp; 1st Floor<br/>Lot 715 Merbau Road<br/>98008 Miri<br/>Sarawak<br/>Tel : 085-415371<br/>Fax : 085-411176</p>   |
| <p>264 8-10, Lorong Maju,<br/>P.O. Box 279, 96508 Bintangor,<br/>Sarawak<br/>Tel : 084-693049<br/>Fax : 084-693689</p>  | <p>271 No. 155C, Jalan Satok,<br/>93400 Kuching,<br/>Sarawak<br/>Tel : 082-233437<br/>Fax : 082-253529</p>   | <p>278 No 22 &amp; 23<br/>Suria Permata Commercial Centre<br/>Lanang Road<br/>96000 Sibul<br/>Sarawak<br/>Tel : 084-218568<br/>Fax : 084-212561</p>                                      |
| <p>265 Lot 13 &amp; 14, Olive Garden,<br/>7th Mile Bazaar, Jalan Pensrissen,<br/>93250 Kuching, Sarawak<br/>96000 Sibul<br/>Sarawak<br/>Tel : 082-250717<br/>Fax : 082-613422</p> | <p>272 No 122, Jalan Yong Moo Chai<br/>P.O. Box 15<br/>96807 Kapit<br/>Sarawak<br/>Tel : 084-796413<br/>Fax : 084-796939</p>   | <p>279 Lot 2499 &amp; 2500<br/>Ground &amp; First Floor<br/>Boulevard Commercial Centre<br/>Jalan Miri-Pujut, Km 3<br/>98000 Miri, Sarawak<br/>Tel : 085-424521<br/>Fax : 085-424520</p> |
| <p>266 No. 175, Serian Bazaar,<br/>94700 Serian<br/>Sarawak<br/>Tel : 082-874877<br/>Fax : 082-874828</p>   | <p>273 Ground &amp; 1st Floor<br/>Lot. 10901 &amp; 10902,<br/>Jalan Tun Jugah<br/>93350 Kuching<br/>Sarawak<br/>Tel : 082-575075<br/>Fax : 082-578250</p>                      | <p>280 No 18C &amp; 20, Lorong Tun Razak 1<br/>Jalan Masjid Lama<br/>96100 Sarikei<br/>Sarawak<br/>Tel : 084-659188<br/>Fax : 084-659488</p>   |
| <p>267 Lot, 124, Saratok Bazaar,<br/>P.O. Box 71,<br/>95407 Saratok,<br/>Sarawak<br/>Tel : 083-436011<br/>Fax : 083-436012</p>  | <p>274 Lots 11600-11602, Block 16<br/>No. 127-129, R.H. Plaza<br/>Jalan Lapangan Terbang<br/>93250 Kuching, Sarawak<br/>Tel : 082-466000<br/>Fax : 082-466009</p>              | <p>281 No 10, 12, 14, 16 &amp; 18<br/>Mission Road<br/>96007 Sibul<br/>Sarawak<br/>Tel : 084-322188<br/>Fax : 084-310545</p>   |
| <p>268 Sublot 6, Lot 538,<br/>Jalan Lee Kai Teng,<br/>P.O. Box 34,<br/>95700 Betong,<br/>Sarawak<br/>Tel : 083-472278<br/>Fax : 083-472326</p>                                    | <p>275 Lot 122, 123 &amp; 124<br/>Jalan Song Thian Cheok<br/>93100 Kuching, Sarawak<br/>P.O. Box 1840<br/>93736 Kuching, Sarawak<br/>Tel : 082-416679<br/>Fax : 082-248157</p> | <p>282 No 345-347<br/>Central Park Commercial Centre<br/>Jalan Tun Ahmad Zaidi Adruce<br/>93200 Kuching<br/>Sarawak<br/>Tel : 082-254224<br/>Fax : 082-243618</p>                        |
| <p>269 18, Chew Geok Lin Street<br/>P.O.Box 1461,<br/>96000 Sibul,<br/>Sarawak<br/>Tel : 084-336653<br/>Fax : 084-316833</p>  | <p>276 Lot 1078 &amp; 1079, Buangsiol Road<br/>P.O. Box 69<br/>98700 Limbang<br/>Sarawak<br/>Tel : 085-212097<br/>Fax : 086-212897</p>   | <p>283 Lot 171, Jalan Council<br/>95000 Bandar Sri Aman<br/>Sarawak<br/>Tel : 083-322117<br/>Fax : 083-320601</p>  |

# BRANCH NETWORK

AS AT 30 JUNE 2016

## FEDERAL TERRITORY LABUAN

284 No. 64, Jalan Tun Mustapha,  
87007 Labuan  
Tel : 087-423290  
Fax : 087-423289

## FEDERAL TERRITORY PUTRAJAYA

285 Islamic Branch  
Tingkat Bawah  
Lot T00-U01, No. 5, Jalan P16  
Precinct 16  
62150 Putrajaya  
Tel : 03-88882188  
Fax : 03-88887288

## MACH BRANCH

286 Lot EG001A Ground Floor  
IOI Mall Batu 9 Jalan Puchong  
Bandar Puchong Jaya  
47170 Puchong  
Tel : 03-80701487  
Fax : 03-80702309

287 Suite 1.01, Level 1  
Centrepont South  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : 03-22820887  
Fax : 03-22820923

288 LG-56, Lower Ground Floor,  
Paradigm Mall,  
No 1, Jalan SS7/26A,  
Kelana Jaya,  
47301 Petaling Jaya,  
Selangor Darul Ehsan  
Tel : 03-78860197  
Fax : 03-78866357

289 Lot 9, Block B,  
Giza Dataran Sunway,  
Kota Damansara,  
47810 Petaling Jaya,  
Selangor Darul Ehsan  
Tel : 03-61406137  
Fax : 03-61406088

290 Lot F1.15 & F1.16C,  
Sunway Pyramid Shopping Mall,  
No. 3, Jalan PJS 11/15,  
Bandar Sunway,  
46150 Petaling Jaya,  
Selangor Darul Ehsan  
Tel : 03-56221214  
Fax : 03-56221527

291 163D-1-18, Persiaran Gurney,  
10250 Pulau Pinang  
Tel : 04-218 9188  
Fax : 04-218 9299

292 S28, Second Floor, Aeon Bukit  
Tinggi Shopping Centre,  
No.1, Persiaran Batu Nilam 1/Ks 6,  
Bandar Bukit Tinggi 2,  
41200 Klang,  
Selangor Darul Ehsan  
Tel : 03-33231483  
Fax : 03-33231480

293 Lot P4.02.00, Level 4,  
Pavilion KL Mall, No. 168  
Jalan Bukit Bintang,  
55100 Kuala Lumpur  
Tel : 03-2141 2821  
Fax : 03-2141 2740

294 Lot S2-3-L34,  
Departure Level Public Concourse,  
KLIA2,  
64000 Sepang,  
Selangor Darul Ehsan  
Tel : 03-87758451  
Fax : 03-87758032

295 Lot 36/37. Lower Groud Floor.  
Queensbay Mall.  
No. 100, Persiaran Bayan Indah,  
11900 Bayan Lepas,  
Pulau Pinang  
Tel : 04-6437029  
Fax : 04-6435691

296 Lower Ground Floor, Lot No.19,  
Setia City Mall,  
No. 7, Persiaran Setia Dagang,  
Bandar Setia Alam, Sek U13,  
40170 Shah Alam,  
Selangor Darul Ehsan  
Tel : 03-3359 7514  
Fax : 03-3358 2864

## BUREAU DE CHANGE

297 **(KLIA2 MACH Embedded)**  
S2-3-L34,  
Terminal KLIA2,  
Jalan KLIA2,  
64000 KLIA,  
Selangor Darul Ehsan  
Tel : 03-87758033  
Fax : 03-87758035

298 Plaza Angsana  
Lot L2.29a, Level 2  
Plaza Angsana  
Jalan Skudai  
81200 Johor Bahru  
Johor  
Tel : 07-2328670  
Fax : 07-2344946

299 Mahkota Parade  
Lot No. KG9A, Ground Floor  
Mahkota Parade  
1 Jalan Merdeka  
75000 Melaka  
Tel : 06-2819231  
Fax : 06-2819114

300 **(In-Branch Bureau DeChange)**  
No. 35, 37 & 39, Jalan Johar 1  
Taman Desa Cemerlang  
81800 Ulu Tiram  
Johor Darul Takzim  
Tel : 07-8615408  
Fax : 07-8615429

301 **(In-Branch Bureau DeChange)**  
No, 34,36 & 38, Jalan Petaling,  
50000 Kuala Lumpur  
Tel : 03-20261826  
Fax : 03-20261770

302 **(In-Branch Bureau DeChange)**  
No. 53 & 55 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-21411119  
Fax : 03-21411094

## BRANCH NETWORK

AS AT 30 JUNE 2016

303 **(In-Branch Bureau DeChange)**  
Lot F1.15 & F1.16C,  
Sunway Pyramid Shopping Mall,  
No. 3, Jalan PJS 11/15,  
Bandar Sunway,  
46150 Petaling Jaya,  
Selangor Darul Ehsan  
Tel : 03-56221403 / 03-56221404  
Fax : 03-56221490

304 **(In-Branch Bureau DeChange)**  
No. 25, Jalan Tun Ismail,  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5134698 & 09-5133893  
Fax : 09-5157130

305 Penang International Airport  
Lot L2L516B, Level 2,  
Departure Landside (Public  
Concourse),  
Penang International Airport,  
11900 Bayan Lepas,  
Pulau Pinang  
Tel : 04-6437835  
Fax : 04-6430655

### SINGAPORE

306 20 Collyer Quay  
Unit #01-02 & 02-02  
Tung Centre  
Singapore 049319  
Tel : 02-63498338  
Fax : 02-65339340

### HONG KONG

307 12F, The Centre  
99 Queen's Road  
Central, Hong Kong  
Tel : 852-22838838  
Fax : 852-22853138

### VIETNAM

308 **Hong Leong Bank Vietnam Limited**  
Ground Floor, Centec Tower  
72-74 Nguyen Thi Minh Khai Street  
District 3, Ho Chi Minh City  
Tel : 848-6299 8100  
Fax : 852-6299 8101

309 **Hong Leong Bank Vietnam Limited**  
1F-2F Central Building  
31 Hai Ba Trung Street  
Hoan Kiem District  
Hanoi, Vietnam  
Tel : 844-6271 0300  
Fax : 844-6271 0301

310 **Hong Leong Bank Vietnam Limited**  
Binh Duong Branch  
Unit 102, 103 Canary Plaza, Binh  
Duong Boulevard,  
Thuan An District, Binh Duong,  
Vietnam  
Tel : 84650 625 9696  
Fax : 84650 625 9699

311 **Hong Leong Bank Vietnam Limited**  
Transaction Office  
302 An Duong Vuong Street  
District 5, Ho Chi Minh City,  
Vietnam  
Tel : 848-6261 1195  
Fax : 848-6261 0668

### CAMBODIA

312 **Hong Leong Bank (Cambodia) PLC**  
Head Office Branch :  
No. 28, Samdech Pan Avenue  
(St. 214),  
Sangkat Boeung Raing, Khan Daun  
Penh, Phnom Penh  
Kingdom of Cambodia  
Tel : +855 23 999 711  
Fax : +855 23 998 494

313 **Hong Leong Bank (Cambodia) PLC**  
Tuol Kork Branch:  
No. 150 G & 150 M,  
Street 289 Sangkat Boeung Kak 1,  
Khan Toul Kork, Phnom Penh  
Tel : +855 23 999 711

314 **Hong Leong Bank (Cambodia) PLC**  
Olympic Branch Branch:  
No 345, 347, and 349, Street 274,  
Sangkat Veal Vong, Khan 7 Makara,  
Phnom Penh  
Tel : +855 23 999 711

315 **Hong Leong Bank (Cambodia) PLC**  
Pet Lok Sang Branch:  
No.23, Street 271,  
Sangkat Toeuk Thla,  
Khan Sensok, Phnom Penh,  
Cambodia  
Tel : +855 23 999 711

316 **Hong Leong Bank (Cambodia) PLC**  
Mao Tse Toung Branch:  
No. 167CD, Mao Tse Toung Blvd  
(St. 245),  
Sangkat Toul Svay Prey 1, Khan  
Chamkamorn, Phnom Penh  
Tel : +855 23 999 711

# FORM OF PROXY

I/We \_\_\_\_\_  
 NRIC/Passport/Company No. \_\_\_\_\_  
 of \_\_\_\_\_  
 being a member of HONG LEONG BANK BERHAD (the "Bank"), hereby appoint \_\_\_\_\_

\_\_\_\_\_  
 NRIC/Passport No. \_\_\_\_\_  
 of \_\_\_\_\_  
 or failing him/her \_\_\_\_\_

\_\_\_\_\_  
 NRIC/Passport No. \_\_\_\_\_  
 of \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Seventy-Fifth Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 26 October 2016 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 26 sen per share		
2.	To approve the payment of Director Fees		
3.	To re-elect Mr Domenic Fuda as a Director		
4.	To re-elect YBhg Datuk Dr Md Hamzah bin Md Kassim as a Director		
5.	To re-elect Mr Tan Kong Khoo as a Director		
6.	To re-elect Ms Lim Lean See as a Director		
7.	To re-appoint YBhg Tan Sri Quek Leng Chan as a Director pursuant to Section 129 of the Companies Act, 1965		
8.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration		
Special Business			
9.	To approve the ordinary resolution on Authority to Directors to Issue Shares		
10.	To approve the ordinary resolution on the Proposed Renewal of and New 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		
11.	To approve the ordinary resolution on Proposed Allocation of Options and/or Grants to Mr Domenic Fuda		

Dated this ..... day of ..... 2016.

\_\_\_\_\_  
 Number of shares held

\_\_\_\_\_  
 Signature(s) of Member

#### Notes:-

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a member of the Bank and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
- Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- Where two (2) or more proxies are appointed, the 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).
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Bank at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented

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*

---



**The Group Company Secretary**

**HONG LEONG BANK BERHAD**  
(Company No. 97141-X)

Level 8, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Malaysia

---

*1st fold here*

**Hong Leong Bank Berhad** (97141-X)

Level 3, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel : 03-2180 8888

Fax : 03-2732 7902

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