

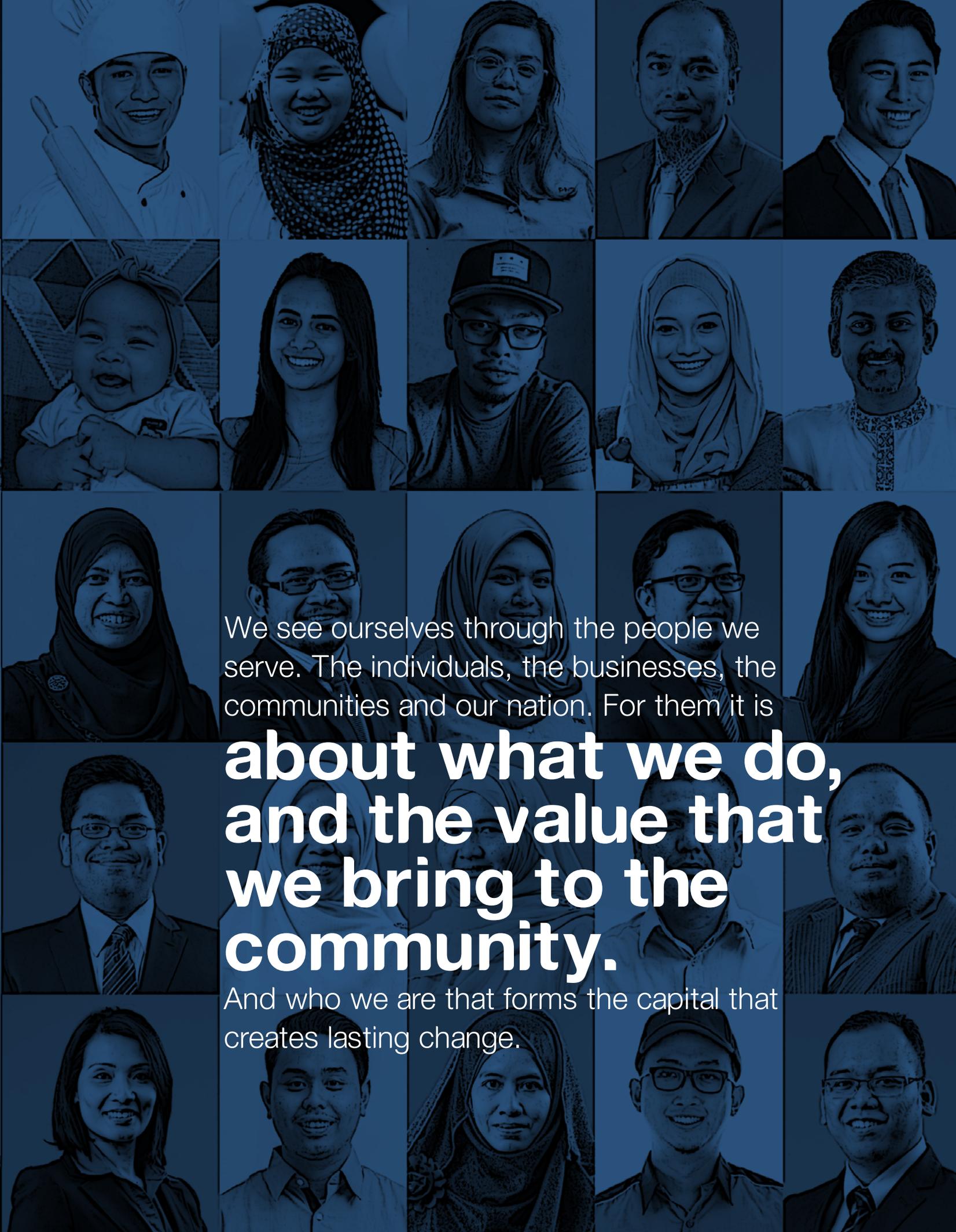


The Value of Investment

ANNUAL REPORT 2018



THE VALUE OF INVESTMENT goes beyond creating wealth - it is about creating things that matter. Because for millions of people every day,
we are more than skyscrapers, more than just numbers, more than money.



We see ourselves through the people we serve. The individuals, the businesses, the communities and our nation. For them it is

**about what we do,
and the value that
we bring to the
community.**

And who we are that forms the capital that creates lasting change.

PERMODALAN NASIONAL BERHAD (PNB) was established on 17 March 1978 as one of the instruments of the Government's New Economic Policy (NEP). Over the last four decades, PNB has grown to become one of the largest fund management companies in Malaysia. Staying focused on our mandate, we strive to enrich the lives of the Bumiputeras and all Malaysians in the years ahead.



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Who We Are

Vision

To be a Distinctive World Class Investment House

Mission

To Enhance the Economic Wealth of the Bumiputera Community and All Malaysians, for the Prosperity of the Nation

Values

Competence

We possess the competency to deliver high performance

Humility

We treat people with mutual respect, stay grounded to our roots, always cognisant that we serve a greater purpose

Integrity

We will not compromise on integrity and we are committed to the highest level of ethical conduct

Prudence

We are focused in safeguarding our unit holders' wealth

Passion

We are passionate in our task to achieve beyond the ordinary

Yayasan Pelaburan Bumiputra



FIXED PRICE UNIT TRUST FUNDS



ASB



ASB 2



ASB 3 Didik

(formerly known as Amanah Saham Didik)



ASM



ASM 2 Wawasan

(formerly known as Amanah Saham Wawasan 2020)



ASM 3

(formerly known as Amanah Saham 1Malaysia)

VARIABLE PRICE UNIT TRUST FUNDS



ASN



ASN Equity 2

(formerly known as Amanah Saham Nasional 2)



ASN Equity 3

(formerly known as Amanah Saham Gemilang - Kesihatan)



ASN Equity 5

(formerly known as Amanah Saham Nasional 3 Imbang)



ASN Imbang 1



ASN Imbang 2

(formerly known as Amanah Saham Gemilang - Pendidikan)



ASN Sara 1

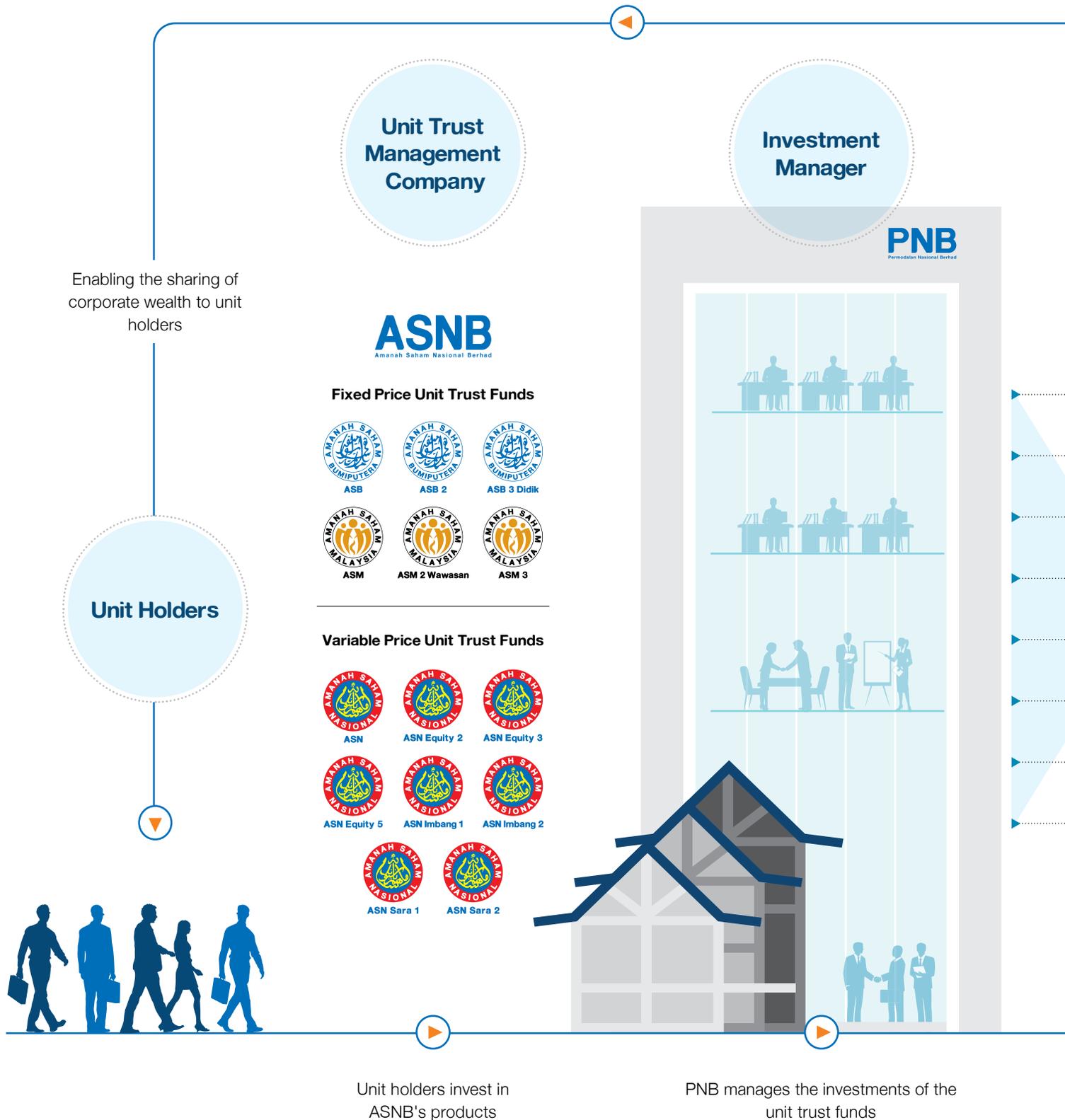
(formerly known as Amanah Saham Gemilang - Persaraan)



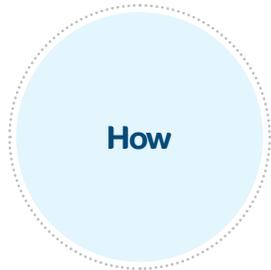
ASN Sara 2

Our Value Chain

Annual income distribution to unit holders is derived from the performance of the portfolio



The returns of the portfolio are generated from the capital gains and recurring income from each asset class

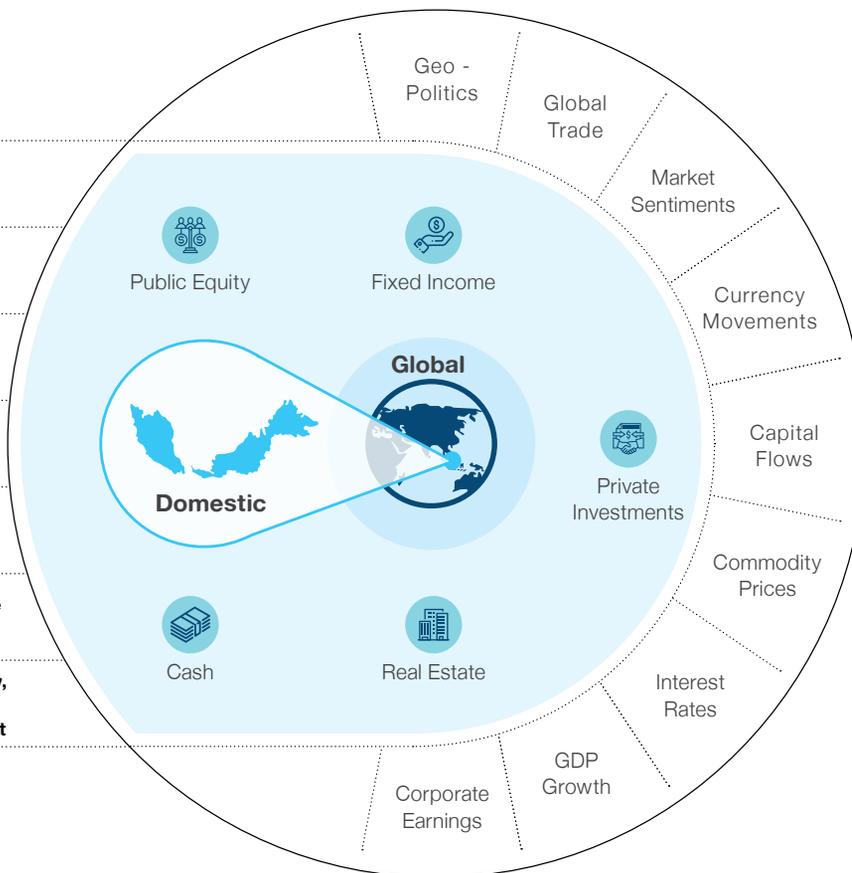


Performance of assets is driven by a combination of macroeconomic and market factors



Investments are made across a diversified portfolio of asset classes and geographies to manage risk exposure

- 01 Objective Setting
- 02 Idea Generation
- 03 Due Diligence, Analysis, Forecast & Valuation
- 04 Selection of Investable Assets
- 05 Portfolio Construction
- 06 Execution & Active Management
- 07 Monitoring, Review, Rebalancing, Monetisation & Exit



Corporate Information

Board of Directors

1. **Tan Sri Dr. Zeti Akhtar binti Aziz** (*Group Chairman*)
2. **Dato' Abdul Rahman bin Ahmad**
3. **Datuk Ahmad Badri bin Mohd. Zahir**
4. **Tan Sri Datuk Zainun binti Ali**
5. **Datuk Dr. Mohd. Yaakub bin Haji Johari**
6. **Datu Haji Soedirman bin Haji Aini**
7. **Dato Dr. Nik Ramlah binti Nik Mahmood**
8. **Dato' Johan bin Ariffin**

Nomination & Remuneration Committee

1. Tan Sri Dr. Zeti Akhtar binti Aziz
(*Chairman*)
2. Datuk Ahmad Badri bin Mohd. Zahir
3. Datuk Dr. Mohd Yaakub bin Haji Johari
4. Datu Haji Soedirman bin Haji Aini

Risk Management Committee

1. Dato Dr. Nik Ramlah binti Nik Mahmood (*Chairman*)
2. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
3. Datuk Mohd. Anwar bin Yahya

Property Investment Committee

1. Tan Sri Dr. Zeti Akhtar binti Aziz
(*Chairman*)
2. Dato' Abdul Rahman bin Ahmad
3. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
4. Datuk Dr. Mohd Daud bin Bakar
5. Dato' Johan bin Ariffin

Investment Committee

1. Tan Sri Dr. Zeti Akhtar binti Aziz
(*Chairman*)
2. Dato' Abdul Rahman bin Ahmad
3. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
4. Datuk Dr. Mohd Daud bin Bakar
5. Dato' Johan bin Ariffin

Compliance Committee

1. Tan Sri Datuk Zainun binti Ali
(*Chairman*)
2. Dato' Abdul Rahman bin Ahmad
3. Dato Dr. Nik Ramlah binti Nik Mahmood

Appeal Committee

1. Tan Sri Datuk Zainun binti Ali
(*Chairman*)
2. Datuk Ahmad Badri bin Mohd. Zahir
3. Datuk Dr. Mohd Yaakub bin Haji Johari
4. Datu Haji Soedirman bin Haji Aini

Audit Committee

1. Dato Dr. Nik Ramlah binti Nik Mahmood (*Chairman*)
2. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
3. Datuk Mohd. Anwar bin Yahya

Tender Committee

1. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (*Chairman*)
2. Dato' Abdul Rahman bin Ahmad
3. Dato Dr. Nik Ramlah binti Nik Mahmood

Shariah Advisory Committee

1. Datuk Dr. Mohd Daud bin Bakar
(*Chairman*)
2. Tan Sri Dato' Seri (Dr.) Haji Harussani bin Haji Zakaria
3. Dato' Haji Mohamad Shukri bin Mohamad
4. Dato' As-Sheikh Haji Nooh bin Gadot
5. Professor Dato' Dr. Mahmood Zuhdi bin Abdul Majid
6. Dr. Aida binti Othman

Registered Office

Permodalan Nasional Berhad
Level 4, Balai PNB
201-A, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-2050 5100
Fax : 03-2050 5268

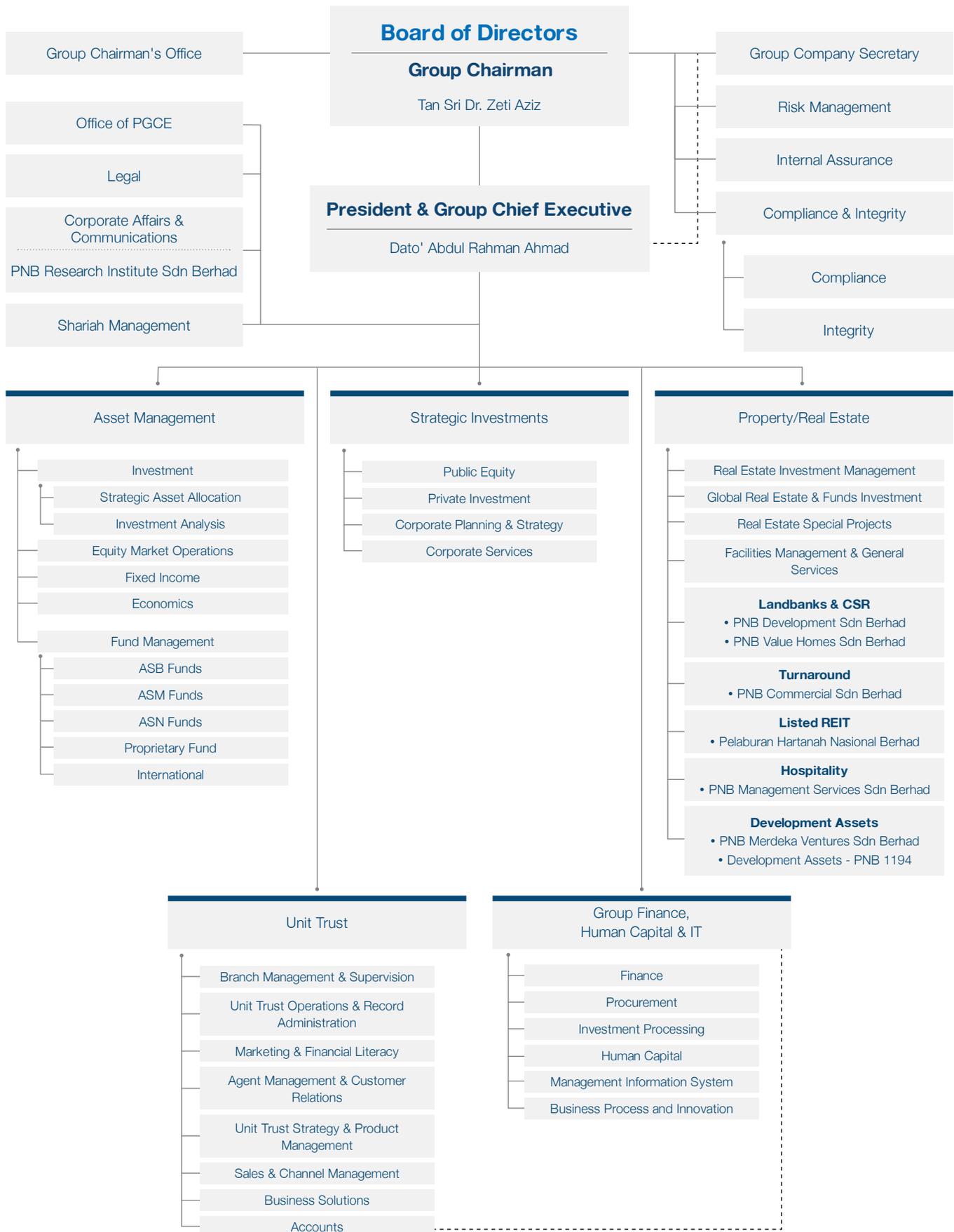
Auditors

Messrs Hanafiah Raslan & Mohamad

Bankers

Maybank Islamic Berhad
Malayan Banking Berhad

Organisation Structure



2018 Milestones

22 JANUARY



Appointment of Bank Muamalat as Amanah Saham Nasional Berhad (ASN) Agent.

27 FEBRUARY



PNB officially welcomes Park Hyatt to Kuala Lumpur where it will be located on the top 17 floors of the 118-storey PNB 118 tower. The Park Hyatt brand will manage and operate the luxury hotel when it opens its doors in 2021.

15 MARCH



40th Anniversary Celebration at Menara PNB.

28 AUGUST



Signing of the sale and leaseback agreements between PNB Development Sdn Bhd and Media Prima Berhad involving properties owned by The New Straits Times Press (Malaysia) Berhad which include Balai Berita Shah Alam and Balai Berita Bangsar.

18 AUGUST



Signing of SPA between AIDF Industrial Sdn Bhd and Seriemas Development (a subsidiary of PNB Development Sdn Bhd) for the purchase of 212.54 acres of freehold industrial land at Kota Seri Langat, Selangor.

1 JULY



Appointment of Tan Sri Dr. Zeti Aziz as PNB's 4th Group Chairman.

27 SEPTEMBER



Renaming of fixed price funds and launch of new variable price funds, ASN Equity 5 and ASN Sara 2.

20 NOVEMBER



Launch of PNB's Corporate Biography "In Trust: A History of PNB".

12 DECEMBER



Launch of the new IJN-PNB Imaging Centre at the National Heart Institute in Kuala Lumpur with Deputy Minister of Health, Dr. Lee Boon Chye.

17 APRIL



Launch of PNB Value Homes in Port Dickson, Negeri Sembilan.

19 APRIL



Official opening of Minggu Saham Amanah Malaysia 2018 in Batu Pahat, Johor.

30 JUNE



Retirement of Tan Sri Abdul Wahid Omar as Group Chairman.

30 MAY



Appointment of Hong Leong Bank as ASNB Agent.

19 APRIL



Rebranding of ASNB variable price funds to facilitate immediate and simple understanding of the product attributes.

14 DECEMBER



Signing of conditional SPA for the joint acquisition by PNB and the Employees Provident Fund of the commercial properties in Phase 2 of the Battersea Power Station development.

18 DECEMBER



Launch of Maybank's Digital Service for ASNB's unit holders as part of PNB's efforts to enhance the convenience of transactions.

31 DECEMBER



Retirement of Dato' Idris Kechot as Deputy President & Group Chief Operating Officer, Asset Management, after 34 years of service.

Our 40th Anniversary

PNB celebrated its 40th anniversary in 2018, and to mark this important milestone several events were organised and special announcements were made to commemorate PNB's achievements over the past four decades.



1 MARCH 2018

Special PNB 40th Anniversary Bonus of 1.00 sen a unit for ASB unit holders with balances up to 10,000 units, in addition to the income distribution of 7.00 sen a unit, and a bonus of 0.25 sen.

MARCH

15 MARCH 2018

1. Special gathering to mark 40th Anniversary celebration at Menara PNB.
2. Launch of PNB's new logo, which reflects a more dynamic, transparent and agile PNB as it advances into the future.



16 MARCH 2018

"Majlis Doa Selamat" event which brought together both current and former PNB staff, management and members of the Board of Directors.



29 MARCH 2018

Release of PNB's inaugural public annual report, themed "Enhancing the Wealth of Malaysians – 40 Years of Nation Building".



30 SEPTEMBER TO 2 OCTOBER 2018

1. PNB Sports and Recreational Club with 42 PNB staff embarked on a 40th Anniversary Expedition to climb Mount Kinabalu in Sabah.
2. Media Retreat in Kota Kinabalu, Sabah to show our appreciation for the media's strong support towards PNB throughout the past 40 years.



16 NOVEMBER 2018

Special 40th Anniversary Annual Dinner with the guest-of-honour, Tan Sri Dr. Zeti Aziz, the Group Chairman.



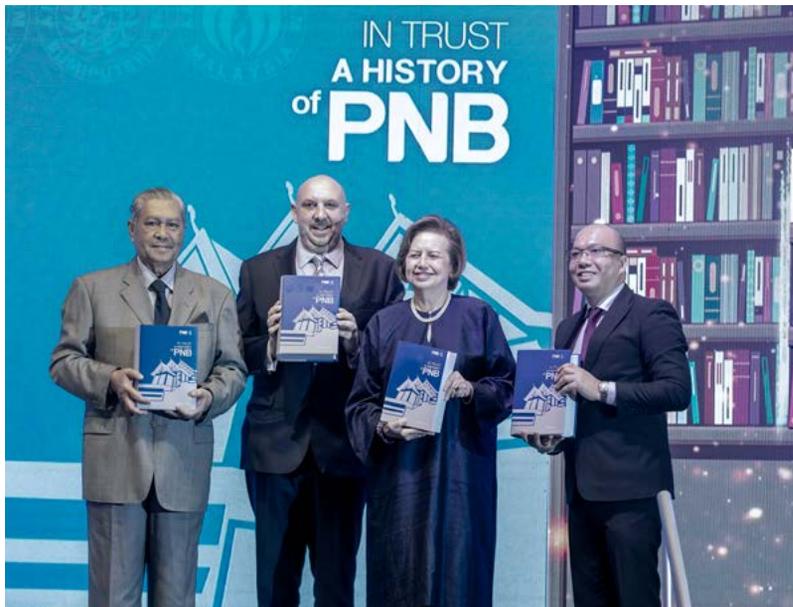
SEPTEMBER

NOVEMBER

DECEMBER

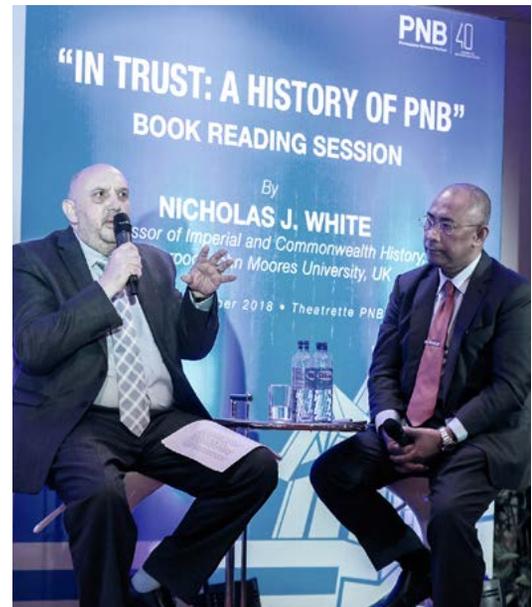
26 NOVEMBER 2018

Launch of PNB's first comprehensive corporate biography titled "In Trust: A History of PNB", written by Professor Nicholas J. White, by Tan Sri Dr. Zeti Aziz and PNB's former Chairman Tun Ahmad Sarji Abdul Hamid.



3 DECEMBER 2018

Special "In Trust: A History of PNB" reading session by Professor Nicholas J. White at Menara PNB to share the illustrious history of PNB with the younger generation of PNB employees.



Key Financial Highlights

Assets under Management (RM billion)



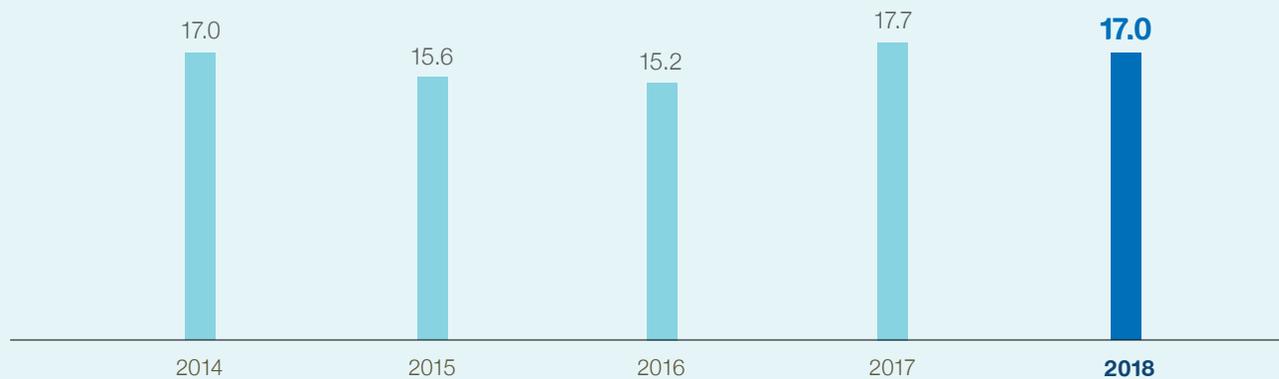
Proprietary	35.2	36.5	40.2	43.9	46.9
UTF	209.1	218.1	226.2	235.3	251.6

Units in Circulation (billion units)



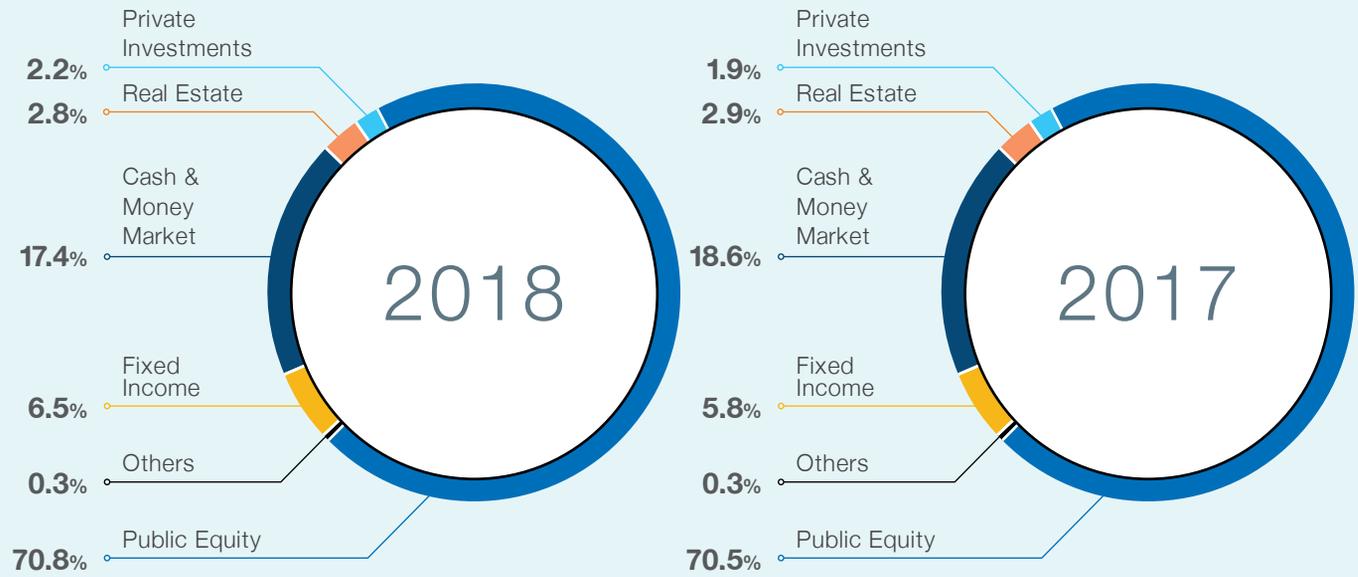
Number of Accounts (million)



PNB Group 5-Year Consolidated Coterminous Proforma Gross Income (RM billion)**PNB Group 5-Year Consolidated Coterminous Proforma Net Income (RM billion)****PNB Group 5-Year Consolidated Coterminous Proforma Return on Assets**

Key Financial Highlights

PNB Group Asset Allocation by Asset Class



PNB Group Asset Allocation by Geography



Performance of the Unit Trust Funds

	 ASB	 ASB 2	 ASB 3 Didik	 ASM	 ASM 2 Wawasan	 ASM 3
Financial Year End (FYE)	31 Dec	31 Mar	30 Jun	31 Mar	31 Aug	30 Sep
Distribution (sen per unit)	6.5 + 0.5	6.75	6.25	6.25	6.00	6.00
Net income (RM million)	9,830.0	577.8	313.6	1,057.9	1,153.5	708.3
Units in circulation FYE (billion units)	155.9	9.4	5.8	18.4	19.8	12.8

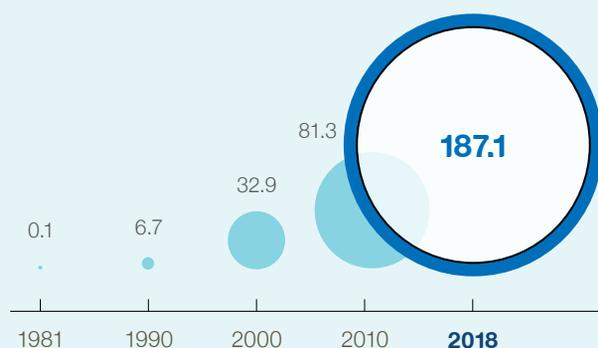
	Equity			Mixed Asset Balanced		Mixed Asset Conservative
	 ASN	 ASN Equity 2	 ASN Equity 3	 ASN Imbang 1	 ASN Imbang 2	 ASN Sara 1
Financial Year End (FYE)	31 Dec	30 Jun	31 Mar	30 Nov	31 Mar	31 Mar
Distribution yield (%)	5.01	5.38	5.06	5.03	4.90	4.50
Total return (%)	-8.95	-1.28	8.18	-3.85	7.00	6.76
Net income* (RM million)	63.9	43.1	89.6	61.0	44.2	24.3
Units in circulation FYE (billion units)	1.8	1.5	1.9	1.3	1.1	1.1

* Realised portion of total comprehensive income, including Distribution Equalisation Reserve (DER).

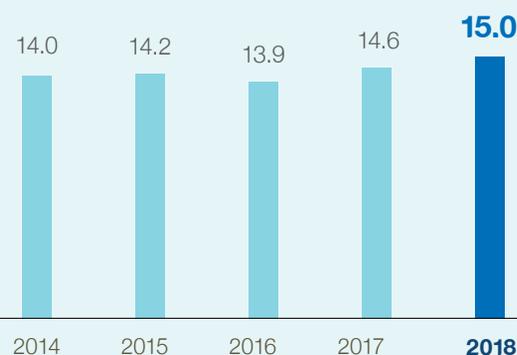
Note: The performance summary for ASN Equity 5 and ASN Sara 2 has not been provided as these new funds were launched on 27 September 2018 and have yet to reach their full financial year.

Income Distribution (RM billion)

Cumulative Income Distribution



Annual Income Distribution Payout





PNB

40

PNB

40

CORPORATE OVERVIEW
PROGRESS UPDATE

PERMODALAN NASIONAL BERHAD
100, Jalan Sultan Ismail
50450 Kuala Lumpur, Malaysia
Tel: +603 2033 3000
Fax: +603 2033 3001
www.pnb.com.my





“

The strength of PNB is not accidental. It achieved its respectability and stature because of the ability of the PNB management to **steadfastly hold on to the tenets of integrity, good governance and trust ever since it was launched** in 1978 alongside Yayasan Pelaburan Bumiputra (YPB).”

Tun Dr. Mahathir Mohamad

Chairman of Yayasan Pelaburan Bumiputra, Prime Minister of Malaysia

In Trust: A History of PNB

Board of Trustees of Yayasan Pelaburan Bumiputra



YAB Tun Dr. Mahathir Mohamad

Chairman of YPB/Prime Minister of Malaysia



YBhg Tan Sri Haji Ambrin Buang



YB Dato' Seri Mohamed Azmin Ali

Minister of Economic Affairs



YBhg Tan Sri Dr. Zeti Aziz

Group Chairman of PNB

Board of Directors

Tan Sri Dr. Zeti Akhtar Aziz

Group Chairman



POSITION

- Non-Independent Non-Executive Director

AGE

- 71

DATE OF APPOINTMENT

- 1 July 2018

QUALIFICATION

- PhD in Economics from University of Pennsylvania, USA
- Bachelor of Science in Economics from University of Malaya

DIRECTORSHIP

- Chairman of Amanah Saham Nasional Berhad and Sime Darby Property Berhad

OTHER INFORMATION

- Co-chair, Board of Governors of Asia School of Business, established in collaboration with MIT Sloan
- Member of the Council of Eminent Persons to advise the Government on the institutional and structural reforms required for the country

WORKING EXPERIENCE

Tan Sri Dr. Zeti was appointed as the Group Chairman of PNB on 1 July 2018. Prior to the appointment, Tan Sri Dr. Zeti had served as Governor of Bank Negara Malaysia from May 2000 to April 2016. She had an important role in managing the resolution of the financial system in 1998 during the Asian financial crisis and the consequent strong recovery of the Malaysian economy. She was also instrumental in transforming Malaysia's financial system, including overseeing the enactment of 12 new pieces of legislation for the financial sector. During this period, the Malaysian financial system also underwent a period of progressive liberalisation.

In Asia, Tan Sri Dr. Zeti was active in strengthening cooperation and regional financial integration. In 2006, she chaired the regional task force that prepared the report for the future direction of central bank financial cooperation in the East Asian region. At the Bank for International Settlements (BIS), she was the chair of the BIS Central Bank Governance Group. In the region, she was a founding member of the BIS Asian Consultative Council, and was the first Co-chair of the Financial Stability Board Regional Consultative Council Group for Asia. Tan Sri Dr. Zeti also had an extensive role in the global development of Islamic finance, and was active in the global financial inclusion agenda. She has been an important voice for the emerging world on the many issues concerning the international financial system and on financial and economic management.

Dato' Abdul Rahman Ahmad

President & Group Chief Executive



POSITION

- Non-Independent Executive Director

AGE

- 49

DATE OF APPOINTMENT

- 1 October 2016

QUALIFICATION

- MA (Honours) in Economics from University of Cambridge, United Kingdom
- Member of the Institute of Chartered Accountants in England & Wales (ICAEW)
- Member of the Malaysian Institute of Accountants (MIA)

DIRECTORSHIP

- Chairman of Velesto Energy Berhad (formerly known as UMW Oil & Gas Corporation Berhad)
- Amanah Saham Nasional Berhad and Pelaburan Hartanah Nasional Berhad

OTHER INFORMATION

- Holder of the Capital Market Services Representative's License (CMSRL)

WORKING EXPERIENCE

Dato' Abdul Rahman was appointed as the President & Group Chief Executive and Director of PNB on 1 October 2016. He was formerly the Chief Executive Officer (CEO) of Ekuiti Nasional Berhad (Ekuinas), a Government-linked private equity firm. Prior to joining Ekuinas, Dato' Abdul Rahman was the Group Managing Director (GMD)/CEO of Media Prima Berhad, the leading integrated media investment group in Malaysia and GMD/CEO of Malaysian Resources Corporation Berhad, a leading Malaysian conglomerate involved in property, construction and infrastructure.

Datuk Ahmad Badri Mohd. Zahir



POSITION

- Independent Non-Executive Director

AGE

- 58

DATE OF APPOINTMENT

- 1 January 2019

QUALIFICATION

- Master of Business Administration from University of Hull, United Kingdom
- Advanced Diploma in Estate Management from MARA Institute of Technology (ITM)

DIRECTORSHIP

- Tenaga Nasional Berhad and Danainfra Nasional Berhad

WORKING EXPERIENCE

Datuk Ahmad Badri was appointed as a member of the Board of Directors of PNB on 1 January 2019. He was appointed as the Secretary-General of Treasury, Ministry of Finance on 12 September 2018, after having served in the civil service for 29 years since joining as an Administrative and Diplomatic Officer (PTD) on 1 August 1989.

Datuk Ahmad Badri has vast experience in the field of economic management and finance, serving as the Treasury Deputy Secretary-General (Management), Director of the National Budget Office, Divisional Secretary of the Strategic Investment Section and Deputy Divisional Secretary of the Finance, Loan Management, Financial Market and Actuary Section.

Tan Sri Datuk Zainun Ali



POSITION

- Independent Non-Executive Director

AGE

- 66

DATE OF APPOINTMENT

- 1 January 2019

QUALIFICATION

- Master of Law (LLM) (Cantab) from University of Cambridge, United Kingdom
- Bachelor of Laws (LLB) (Hons) from University of Malaya

DIRECTORSHIP

- Chairman of Malaysia Airports Holdings Berhad

OTHER INFORMATION

- Member of the Advisory Board of the United Nations' Global Judiciary Integrity Network

WORKING EXPERIENCE

Tan Sri Datuk Zainun was appointed as a member of the Board of Directors of PNB on 1 January 2019, after having served the Government in various capacities in the Legal and Judicial Services since 1976. After her stint as Legal Adviser to Ministries which included her service as the Registrar of Companies and Chief Registrar of the Federal Court, she was elevated to the Bench in 1996 as a High Court Judge. She was subsequently promoted to the Court of Appeal Bench and later reached the apex court in 2012, as a Federal Court Judge.

She read Law at the University of Malaya's Faculty of Law and obtained a Bachelor of Laws degree (LLB) Hons and thereafter obtained a Master of Law Degree (LLM) (Cantab) from the University of Cambridge, United Kingdom.

Datuk Dr. Mohd Yaakub Haji Johari



POSITION

- Independent Non-Executive Director

AGE

- 63

DATE OF APPOINTMENT

- 1 January 2017

QUALIFICATION

- PhD in Sociology from University of Salford, United Kingdom
- Master of Science (Liberal Studies) from University of Manchester, United Kingdom
- Bachelor of Science (Honours) from University of Sussex, United Kingdom

DIRECTORSHIP

- Suria Capital Holdings Berhad

WORKING EXPERIENCE

Datuk Dr. Mohd Yaakub began his career as a part-time lecturer in Political Science at the MARA Institute of Technology and in 1983, he joined the Sabah State Civil Service as an Assistant Director (Research and Consultancy) in the Chief Minister's Department. He was made the Principal Assistant Director (Management Development) in 1984. He then joined the Institute of Development Studies, Sabah (IDS), the State's official think tank as an Associate Director (Social Affairs) in 1985 and later moved up to Deputy Chief Executive/Senior Research Fellow between 1991 to 1994. He served as the Executive Director/Chief Executive of the IDS for 15 years from 1994 to 2009 prior to his appointment in 2009, as the Chief Executive of the Sabah Economic Development and Investment Authority (SEDIA).

Datu Haji Soedirman Haji Aini



POSITION

- Independent Non-Executive Director

AGE

- 63

DATE OF APPOINTMENT

- 1 January 2017

QUALIFICATION

- Fellow of the Association of Chartered Certified Accountants (UK)
- Chartered Accountant (Malaysia) of Malaysian Institute of Accountants (MIA)
- Attended Macro Economic Policy and Management Program, Harvard University

DIRECTORSHIP

- Sarawak Concrete Industries Berhad, Amanah Saham Sarawak Berhad, Sara Worldwide Vacations Berhad and Damai Golf & Country Club Berhad

WORKING EXPERIENCE

Datu Haji Soedirman started his career with Petroliaam Nasional Berhad in 1982, and after serving 13 years with the company, resigned in 1995, to join the Sarawak State Government.

His last position with the Sarawak State Government was as the General Manager of Sarawak Economic Development Corporation (SEDC) prior to his retirement on 31 December 2018. His previous employment in the Sarawak Civil Service includes being the Permanent Secretary of the Ministry of Social Development, Director of State Implementation Monitoring Unit, Permanent Secretary of the Ministry of Industrial Development, Deputy State Financial Secretary and State Accountant General. Between November 2002 and September 2003, he was seconded to Amanah Saham Sarawak Berhad as its Chief Executive Officer.

Dato Dr. Nik Ramlah Nik Mahmood



POSITION

- Independent Non-Executive Director

AGE

- 62

DATE OF APPOINTMENT

- 1 January 2019

QUALIFICATION

- PhD in Law from University of London, United Kingdom
- Master of Law from University of London, United Kingdom
- Bachelor of Laws from University of Malaya

DIRECTORSHIP

- Amanah Saham Nasional Berhad, United Malacca Berhad and Axiata Group Berhad

WORKING EXPERIENCE

Dato Dr. Nik Ramlah was appointed to the Board of Directors of PNB on 1 January 2019, and ASNB on 1 January 2017. She retired in March 2016, having worked at the Securities Commission Malaysia (SC) for almost 23 years, holding various positions from Manager for Law Reform to Deputy Chief Executive. Throughout her years in the SC, Dato Dr. Nik Ramlah has been directly involved in most areas of capital market development and regulation, providing strategic and legal guidance in product and market development, bond market, fund management, corporate governance and Islamic Finance. Prior to joining the SC, Dato Dr. Nik Ramlah was an Associate Professor at the Faculty of Law, University of Malaya, where she had also served as Deputy Dean.

Dato' Johan Ariffin



POSITION

- Independent Non-Executive Director

AGE

- 59

DATE OF APPOINTMENT

- 1 January 2019

QUALIFICATION

- MBA from the University of Miami, Coral Gables, Florida, USA
- Bachelor of Arts in Economics from Indiana University, Bloomington Indiana, USA

DIRECTORSHIP

- Chairman of Pelaburan Hartanah Nasional Berhad, Mitraland Group of Companies and Maybank Cambodia PLC
- Sime Darby Property Berhad, Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad), Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad), Etiqa General Takaful Berhad and Maybank Ageas Holdings Berhad

WORKING EXPERIENCE

Dato' Johan started his career in the real estate division of Citibank. Thereafter, he held various senior positions in several property subsidiaries of public listed companies whilst venturing into his own successful marketing and advertising consultancy and property development business. He then headed Danaharta's Property Division as Senior General Manager before moving on to head TTDI Development Sdn Bhd up to January 2009. He also served on the Board of Malayan Banking Berhad for nine years up to April 2018.

Senior Management

Dato' Mohd Nizam Zainordin
Deputy President & Group Chief Financial Officer



Hanizan Hood
Chief Investment Officer

**Dato' Abdul Rahman
Ahmad**
President & Group Chief Executive

Rizal Rickman Ramli

Executive Vice President, Property/Real Estate

**Datin Paduka Kartini
Haji Abdul Manaf**

Deputy President, Strategic Investments

Mohammad Hussin

Chief Executive Officer & Executive Director, ASNB

Dato' Abdul Rahman Ahmad

POSITION

President & Group Chief Executive



Please refer to page 23

Datin Paduka Kartini Haji Abdul Manaf

POSITION

Deputy President, Strategic Investments



AGE

- 57

QUALIFICATIONS

- Master in Business Administration from Ohio University, USA
- Bachelor in Business Administration from Ohio University, USA
- Diploma in Banking Studies, Universiti Teknologi Mara (UiTM)

DIRECTORSHIP

- Chemical Company of Malaysia Berhad and UMW Holdings Berhad

OTHER INFORMATION

- Certified Financial Planner (CFP)
- Holder of the Capital Markets Services Representative's Licence (CMSRL)

WORKING EXPERIENCE

Datin Paduka Kartini joined PNB in 1983. In her career of over 30 years at PNB, she has served in various capacities and has been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development.

Dato' Mohd Nizam Zainordin

POSITION

Deputy President & Group Chief Financial Officer



AGE

- 56

QUALIFICATIONS

- Master in Business Administration from Asian Institute of Management
- Chartered Accountant, Malaysian Institute of Accountants
- Fellow, Association of Chartered Certified Accountants (ACCA)

DIRECTORSHIP

- Sime Darby Plantation Berhad

OTHER INFORMATION

- Certified Financial Planner (CFP)

WORKING EXPERIENCE

Dato' Mohd Nizam started his career with Sime Darby Berhad as an accountant before joining PNB in 1994. During his 25-year career at PNB, he has served in various capacities in the areas of finance, IT, unit trust operations and investment processing.

Hanizan Hood

POSITION

Chief Investment Officer



AGE

- 45

QUALIFICATIONS

- Bachelor of Economics from Northwestern University, USA
- Graduate Diploma in Applied Finance & Investment from the Financial Services Institute of Australasia

DIRECTORSHIP

- Nil

OTHER INFORMATION

- Advanced Management Programme at Harvard Business School
- Certified Professional Risk Manager
- Holder of the Capital Markets Services Representative's Licence (CMSRL)

WORKING EXPERIENCE

Hanizan's 22-year career in PNB began as a graduate trainee in December 1996. She was appointed as Chief Investment Officer on 1 January 2019 to assume leadership of all operating units within the Asset Management strategic business unit.

Rizal Rickman Ramli

POSITION

Executive Vice President, Property/Real Estate



AGE

- 41

QUALIFICATIONS

- Master of Business Administration - Finance & Operations, Kellogg School of Management, Northwestern University, USA
- Bachelor of Arts in Economics, University of Chicago, USA

DIRECTORSHIP

- Sime Darby Property Berhad and Velesto Energy Berhad (formerly known as UMW Oil & Gas Corporation Berhad)

OTHER INFORMATION

- Mentor with Endeavor Malaysia

WORKING EXPERIENCE

Rick Ramli serves as the Executive Vice President, Property/Real Estate. In this role, he oversees all of PNB's business operations related to property and real estate investments and operations. This includes land banking activities, development projects, core investment properties, hospitality, turnaround assets, and facilities management. Prior to joining PNB, Rick was Country Managing Partner for the Boston Consulting Group (BCG) in Malaysia and served as People Chair for BCG across Southeast Asia.

Mohammad Hussin

POSITION

Chief Executive Officer & Executive Director, ASNB



AGE

- 59

QUALIFICATIONS

- Master of Business Administration from Cranfield University, United Kingdom
- Bachelor of Business Administration (Marketing) from University of Portland, Oregon, USA

DIRECTORSHIP

- Amway (Malaysia) Holdings Berhad and Federation of Investment Managers Malaysia (FIMM)

OTHER INFORMATION

- Accredited Practitioner Status (APR), Institute of Public Relations Malaysia (IPRM)
- Registered Financial Planner, Malaysian Financial Planning Council (MFPC)

WORKING EXPERIENCE

Prior to joining PNB, Mohammad served at UMW Toyota Motor Sdn Berhad as a Corporate Communications Manager and was previously the Special Assistant to the Managing Director at EON Bhd. In PNB, he has served in the Corporate Services Department and Communications Department. He was formerly Senior Vice President of the Marketing and Branch Operations Department before being promoted to his current position.

Asset Management

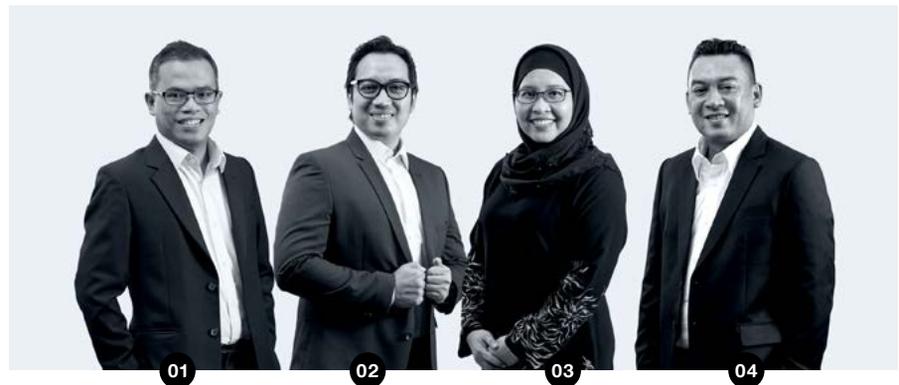


- 01 **MOHD HANIZ MOHD NAZLAN**
Vice President, Investment Division
- 02 **LIM CHENG EAN**
Vice President, Investment Analysis
- 03 **ISMAIL NGAH RABU**
Vice President, Equity Market Operations
- 04 **DR. KAMARUDDIN MOHD NOR**
Chief Economist, Economics
- 05 **MOHAMAD ZUWAIRI ABD RAHMAN**
Vice President, ASB Funds
- 06 **SUHAINI ABD RAHMAN**
Vice President, ASM Funds
- 07 **ROSE ANITA JALIL**
Vice President, ASN Funds
- 08 **NURHALINI AZLY MINHAT**
Vice President, Proprietary Fund
- 09 **AHMAD FIRDAUS ABDULLAH**
Vice President, International



Strategic Investments

- 01 **MOHAMAD IDROS MOSIN**
Senior Vice President, Public Equity
- 02 **MOHD IRWAN AHMAD MUSTAFA**
Senior Vice President, Private Investment
- 03 **AMIZAR MIZUAR**
Vice President, Public Equity
- 04 **NIK MYSHANI NIK MOHAMED**
Vice President, Corporate Services
- 05 **FADZIHAN ABBAS MOHAMED RAMLEE**
Vice President, Corporate Planning & Strategy
- 06 **MUAZZAM MOHAMAD**
Vice President, Public Equity
- 07 **MOHD ZARIHI MOHD HASHIM**
Vice President, Public Equity



Key Executives

Property/Real Estate

- 01 **TENGGU DATO' AB. AZIZ
TENGGU MAHMUD**
Chief Executive Officer,
PNB Merdeka Ventures Sdn Berhad
- 02 **TUN ABDULL MUTALIB
TUN HASSAN**
Chief Operating Officer,
PNB Commercial Sdn Berhad
- 03 **HAFIDZ ATRASH KOSAI MOHD
ZIHIM**
Chief Executive Officer, Pelaburan
Hartanah Nasional Berhad
- 04 **MAZUKI ABDULLAH**
Vice President, Real Estate
Investment Management
- 05 **YUZAIRI YUSSOFF**
Vice President, Real Estate Special
Projects
- 06 **MOHD KAMIL IBRAHIM**
Assistant Vice President, Global Real
Estate & Funds Investment



Unit Trust



- 01 **FAIRUZ SUZANA HJ
KAMARUDDIN**
Vice President, Unit Trust Strategy
& Product Management
- 02 **MOHD RIDZA YAHYA**
Vice President, Branch Management
& Supervision
- 03 **MOHD AZUDDIN SHAM
ABDULLAH**
Vice President, Unit Trust Operations
& Record Administration
- 04 **SITI NORILAH SHAMSUL BAHRI**
Vice President, Marketing & Financial
Literacy
- 05 **MOHD YUSRI SURIP**
Vice President, Agent Management
& Customer Relations
- 06 **MOHD AZLAN MASOOD**
Vice President, Business Solutions
- 07 **MOHD IKHRAM MOKHTAR**
Vice President, Sales & Channel
Management

Corporate



01 **ADIBAH KHAIRIAH ISMAIL @ DAUD**
Group Company Secretary

02 **KAMARUL BAHARIN MOHD DAUD**
Senior Vice President, Compliance & Integrity

03 **AZIZ ANUAR**
Senior Vice President, Corporate Affairs & Communications

04 **AIDA MD DAUD**
Senior Vice President, Human Capital

05 **MUZZAFFAR OTHMAN**
Chief Technology Officer



06 **SUZANA AHMAD**
Chief Risk Officer

07 **RIZIANA HANIM JAMEL**
Vice President, Finance

08 **HARTINI ZAINAL ABIDIN**
Vice President, Legal

09 **DR. AHMAD BASRI IBRAHIM**
Head, Shariah Management



TAN SRI DR ZETI AZIZ
GROUP CHAIRMAN



“

The environment going forward is going to be very different. It will become more challenging, highly unstable, significantly more complex, interconnected and disruptive. It means that **PNB needs to be able to withstand great upheavals that could occur on our horizon. Building buffers and having more diversified portfolios will address some of these challenges.**”

Tan Sri Dr. Zeti Aziz

Group Chairman of PNB

Official launch of PNB's corporate biography, "In Trust: A History of PNB"

A Message from the Group Chairman

Dear Unit Holders,

It is my pleasure to present Permodalan Nasional Berhad's Annual Report 2018. Here, we provide a comprehensive overview of our financial and business performance during the year 2018 as well as insights into the progress achieved in our strategies to enhance our organisational effectiveness.

2018 was a challenging year with numerous headwinds affecting global economic growth and impacting financial markets. Against this difficult backdrop, PNB has managed to sustain its performance. Our Assets under Management increased by 6.9% to RM298.5 billion, compared to RM279.2 billion in 2017, driven by our strong growth in units in circulation from 219.3 billion to 236.6 billion, a growth rate of 7.9%, and with the 13.8 million accounts invested in our 14 unit trust funds. PNB's consolidated coterminous proforma Net Income remained stable at RM17.0 billion in 2018, compared to RM17.7 billion in the previous year. Notwithstanding this,

we managed to distribute RM15.0 billion in income distribution and bonus for the year.

In terms of PNB's product offerings, we renamed our fixed price funds to provide greater clarity and simplicity, whilst also rebranding and repositioning our variable price funds into three distinct categories to meet investors' different needs. PNB has also successfully launched two new variable price funds, ASN Equity 5 and ASN Sara 2, the first variable funds in 15 years. It has commenced with a good start, with more than 800 million units being sold as at the end of 2018.



Assets under Management

RM298.5 billion

RM279.2 billion in 2017



launched two new variable price funds,

ASN Equity 5 and ASN Sara 2





PNB also has worked hard to expand our reach, connecting to our unit holders digitally through the enhanced myASNB online portal, which has now reached its first million registered users. Coupled with the increasing use of our agents' portals, online sales have now exceeded RM3 billion in 2018. Unit holders are now also able to transact in real-time through Maybank2U, as well as perform transactions at Maybank ATMs. While it is now a pilot project, we believe it will increasingly make ASNB's connectivity to our investors ubiquitous.

PNB's returns for the year were generated from an increasingly more diversified investment portfolio spanning multiple asset classes and geographies. Since inception, public equities have been our largest asset class. In our domestic public equity portfolio, substantial holdings are in our 10 strategic companies, as well as in our core companies. PNB is therefore a major institutional investor in the domestic stock market, accounting for about 10 percent of Bursa Malaysia's market capitalisation. Recognising this, we have increasingly ventured into

the international public equity market. Our proprietary fund has already had exposure in the international public equity markets for nearly two decades now. Our unit trust funds have only recently commenced to deploy funds abroad, with now more than RM2 billion invested in international stocks during the course of 2018.

Beyond public equities, our portfolio also includes private equity investments that consider a mid to long-term investment horizon. Additionally are the investments in real estate, aimed at providing a source of recurring income through their rental yields. Going forward, we will continue to explore increasing our allocation into these asset classes, and into fixed income instruments. Liquidity management will also be strengthened to reduce our holdings of cash beyond that required to meet our liquidity requirements. Diversification in a period of uncertainty has become even more important given that the different asset classes and markets have their own drivers and risk factors thereby yielding differential returns.

Tan Sri Dr. Zeti Aziz

Group Chairman

A Message from the Group Chairman

Developments throughout the world in 2018 were highly uneven. The world's largest economy, the United States of America, expanded relatively strongly, whilst other advanced economies as well as emerging economies, including Malaysia, charted moderating growth. Domestic gross domestic product (GDP) growth averaged at 4.7% for the year, compared to 5.9% in 2017. At the same time, monetary policy normalisation in the US influenced foreign fund outflows from emerging markets, whilst concerns over oil prices, intensifying trade tensions and geopolitical developments affected sentiment in financial markets. The increased uncertainties saw global stock markets end the year lower. The domestic FTSE Bursa Malaysia KL Composite Index declined by 5.9% for the year, a sharp reversal from the gains made by public equities in 2017.

Commodity prices also saw marked volatility in 2018. The price of crude oil fell in the final two months of the year while the price of crude palm oil (CPO) experienced a downward trend for most of the year, hitting a low of less than RM2,000 per metric tonne. In tandem with other regional currencies, the Ringgit depreciated against the greenback while the overnight policy rate ended at 3.25% after a one-time increase at the start of the year. The returns generated from our investment portfolio in 2018, were therefore reflective of the underlying economic and market factors driving the performance of the different asset classes during the course of the year.

PNB's continued growth over these recent four decades has been made possible through the trust that millions of Malaysians have placed in us. This trust has been derived from PNB's track record since 1981 of not only generating consistent and sustainable returns but also it is a reflection of the values that have been upheld since its establishment to continually strive for the highest standards of excellence and integrity. Additionally, the people at PNB's helm have always

been professionals and supported by a strong and experienced Board. We have always operated as a fiduciary, prioritising our unit holders' interests in everything that we do and upholding the highest standards of stewardship in every aspect of our operations. We will strive to continue to do so in the decades to come, to continue to retain the trust accorded by our unit holders.

It is also our intention to uphold these standards on our strategic and core companies, given our relatively unique position as a long-term investor. Our priority is therefore to work in partnership with our strategic companies to strengthen their value creation potential and enhance their resilience. The expectation is for our strategic and core

companies is to stay focused on their core deliverables, while recognising the need to have the foresight to respond to the evolving business landscape and to the changing customer's needs and towards building their vision of what they want to be become.

Our strategic and core companies also need to enhance their institutional capabilities to ensure that they can continue to deliver and grow their core earnings, while building sufficient resilience to withstand the fluctuations of business and economic cycles. This would ensure a more sustainable performance. Every aspect of their operations should be benchmarked against the best, to keep them at the frontier of their respective industries.



They should also always strive to remain efficient and competitive, including fully leveraging on digitalisation and technology. Finally, they should prioritise best-in-class governance. Upholding the highest standard of governance not only reinforces accountability and integrity, but also optimises an organisation's structure for strategic thinking and decision-making at all levels, which is what is needed for long-term success.

As PNB looks to the future, we need to recognise that several key geopolitical and socioeconomic developments on a global scale are having an impact on the financial and economic environment in which we operate. We are also now in an age of heightened uncertainty, wherein the past is becoming an increasingly

unreliable guide to the future. Although history teaches us important lessons, we must be wary of falling into the trap of projecting our past and present into the future given the many fundamental structural changes taking place in the world. The global environment has also become highly interconnected and interdependent. As an open economy and with a liberalised financial system, we will continue to be affected by regional and global developments.

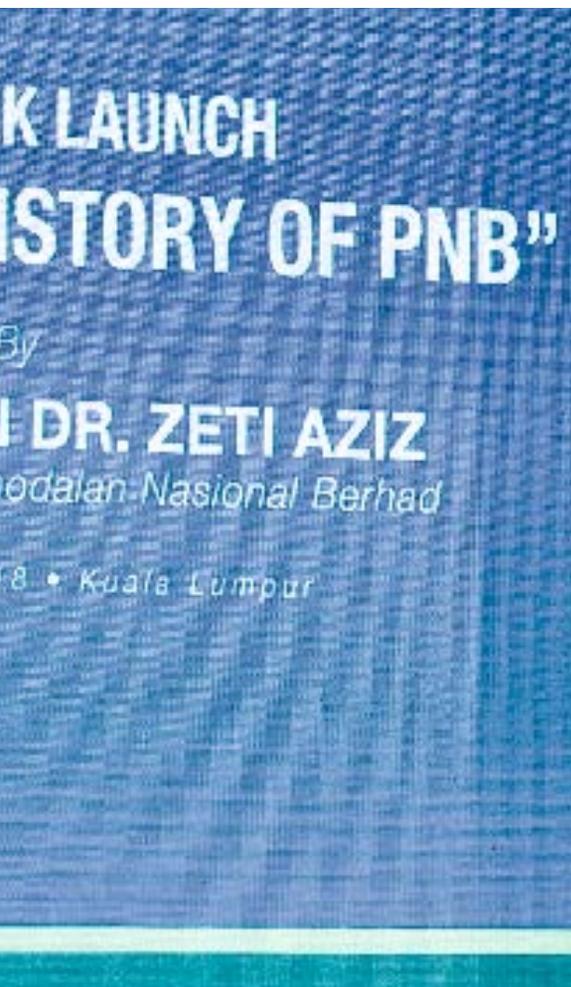
A further development is the massive scale of disruption across all industries that will be brought about by technological advancement and digitalisation. We have to be ready to take advantage of these new disruptive technologies, and ensure that we can ride this wave of change. This is where our core values and our ability to not only keep up with but also to anticipate the changes that will have an impact on the way we and our companies operate become important. Finally, we are now living in a world that is in the information age, in which everything that we do will be scrutinised to the highest degree by our stakeholders. We should see this as a positive development. With increasing transparency, it will lead to a greater accountability in every aspect of our operations. It is therefore of paramount importance that we effectively and decisively respond to these challenges by continually undertaking a process of organisational renewal and transformation.

An important area of focus is building organisational resilience. We want to not only be able to deliver high performance during good times, but more importantly, to sustain our performance during more difficult periods, and to withstand temporary headwinds and challenges and to emerge even stronger. It is resilience which unlocks the ability to invest in the long term, and in holding firm to the fundamental value of the investment portfolio while being in position for accumulating future gains and having sufficient buffers built during

good times to weather the tough storms. This is where effective risk management becomes vitally important. We also need to benchmark ourselves against the best investment houses in the world, identifying the gaps that we need to close if we are to be a truly distinctive world class investment house.

Finally, PNB needs to focus on building on our organisational capabilities. This will involve strengthening further our governance to ensure optimal decision-making structures, with a Board that has a pivotal role in guiding the organisation's direction and having a significant role in providing check and balance. Also key is the active engagement with management, stakeholders and our strategic companies to articulate our aspirations and receive valuable feedback on how the organisation is performing. The other key element in building organisational capability is, of course, investing in our talent. Our human capital is a critical component for our continued growth and success. We therefore need to make sure that we can attract and develop talent with the right skills, attitudes and competencies that PNB requires if we are to successfully navigate through the future challenges. Our people, with sufficient training, exposure and mentoring, will rise to fill our leadership and business-critical positions as we advance forward into the future.

PNB recognises that addressing all these challenges will not be easy. Nonetheless, we are determined to do so, focusing on five key priorities in 2019. Firstly, as we come to the halfway point of PNB's Strategic Plan 2017-2022, we will be undertaking a Mid-Term Review of the plan. The three key focus areas of this review - strategic asset allocation and optimal liquidity management, risk management and organisational transformation. The methodology of the review, including a thorough gap analysis and benchmarking against our global peers, will be part of this process.





Secondly, we will be focusing on accelerating the diversification of our investment portfolio both in the domestic and global markets, given the importance of the different asset classes and geographical diversification mentioned earlier. Thirdly, in order to achieve the expectations that we have laid out for our strategic and core companies, PNB will continue to work together with our strategic companies. We will also strengthen our engagement with our core companies towards finding pathways to enhance their potential.

Fourthly, taking full cognisance of the digital disruption taking place, we will continue to build on what has been achieved over the recent two years to provide even more digital offerings

for our unit holders. We believe that by leveraging on digitisation to enhance all aspects of our customer journey, we will be able to go some way towards fulfilling the expectations of our unit holders for greater digitally-enabled accessibility and convenience. And finally, PNB will intensify our engagement with our unit holders through our communications and activities, particularly in enhancing their financial literacy. We want our unit holders to have a solid understanding of the risks involved in investing and the factors influencing their potential returns, as well as to appreciate the importance of investing consistently over the long term. Also on the range of instruments that are available and the need to take into consideration their investment objectives and the levels of their risk appetite.

Ultimately, PNB strives to uphold a legacy of stewardship over the wealth of millions of Malaysians, safeguarding their investments and generating consistent and sustainable returns that has been experienced over the recent four decades. What has made this possible is the commitment of successive generations of our staff over the years in upholding this institution's fundamental values and the highest standards of probity and excellence. We are therefore determined to continue our transformation journey to fulfil our potential to become a truly distinctive world class investment house, fully capable of staying firmly on course throughout the peaks and troughs of the economic cycle, and embodying a culture of high performance.

Most importantly of all, PNB will always maintain its singular clarity of purpose - to enhance the economic wealth of the Bumiputera community and all Malaysians. We will strive to achieve our mandate to generate sustainable returns, and will always act in the interest of our unit holders in everything that we do.

We would like to take this opportunity to express our appreciation to the previous members of the Board of Directors of PNB and ASNB who have retired during the course of the year: my predecessor, Tan Sri Abdul Wahid Omar, as well as Tan Sri Dr. Ali Hamsa, Tan Sri Dr. Wan Abdul Aziz Wan Abdullah, Tan Sri Zarinah Anwar, Datuk Dr. Awang Adek Hussin, and Professor Tan Sri Dato' Seri Dr. Noor Azlan Ghazali.

We would also like to thank Dato' Idris Kechot, PNB's former Deputy President and Group Chief Operating Officer, Asset Management, who retired on 1 January 2019. Thank you for your 34 years of service and tremendous contribution to the PNB Group. We take this opportunity to extend our welcome to Hanizan Hood, the new Chief Investment Officer for PNB.

A warm welcome to the new members on the Board of Trustees of YPB: Yang Amat Berhormat Tun Dr. Mahathir Mohamad, Yang Berhormat Datuk Seri Mohamed Azmin Ali and Yang Berbahagia Tan Sri Haji Ambrin Buang. And also the new members of the PNB Board: Datuk Ahmad Badri Mohd. Zahir, Tan Sri Datuk Zainun Ali, Dato Dr Nik Ramlah Nik Mahmood and Dato' Johan Ariffin, as well as Datuk Mohd. Anwar Yahya, who has joined the ASNB Board.

Our sincere gratitude and appreciation to all board members of YPB, PNB, ASNB, members of the Fatwa Committees, board members, senior management and employees of PNB's strategic companies, regulators, government agencies and all of the PNB Group's hardworking professionals. Thank you for all your dedication and efforts.

Finally, to our unit holders, thank you for your confidence in PNB and for the trust you have placed in us. We always strive to meet current and future challenges, and will work towards innovating new products and services, to enhance your ability to achieve your financial goals.

Tan Sri Dr. Zeti Aziz

The President & Group Chief Executive's Review

Dear Unit Holders,

I am pleased to present a review of PNB's financial and operating performance for the financial year ending 31 December 2018 (FY2018).

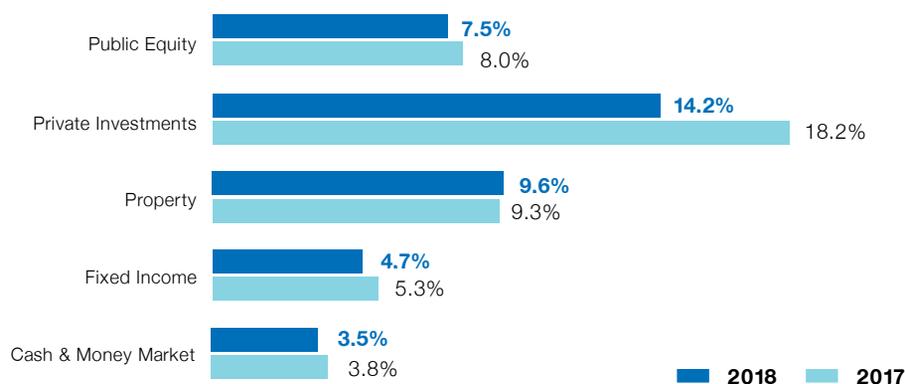
2018 Performance Highlights

After a strong performance in 2017, Malaysia experienced a more uncertain economic environment in 2018, precipitated by heightened global trade tensions, tightening US interest rate, challenging financial markets and volatile commodity prices. Yet, PNB continued to grow its assets under management (AUM) by 6.9% to RM298.5 billion, comprising RM46.9 billion of proprietary funds and RM251.6 billion of unit holders' investments in PNB's 14 unit trust funds.

The growth of our AUM was underpinned by our unit trust funds, which saw their units in circulation increase by 7.9% to 236.6 billion units, whilst the number of accounts grew from 13.2 million to 13.8 million accounts. This is indeed a reflection of the trust and confidence that unit holders have in PNB's ability to deliver sustainable returns over the long-term.

Notwithstanding the challenging environment, PNB also managed to largely sustain its financial performance in FY2018, recording a consolidated coterminous proforma Gross Income of RM20.3 billion and Net Income of RM17.0 billion. However, PNB's Return on Assets fell to 6.0% in 2018 compared to 6.7% in 2017, driven by lower returns across most asset classes.

Group Gross Yields by Asset Class



We recognise that our unit trust funds, just like other mutual funds, are not immune to market and economic fluctuations. Their dividends and performance are dependent on the broader economy and market performance. Hence, the funds which ended their financial years in the first half of the year reflected the strong performance of the markets in 2017, with ASM and ASB 2, for example, distributing income of 6.25 sen and 6.75 sen per unit respectively. However, as increased volatility impacted the performance of the local stock market in the second half of 2018, the performance of our funds were similarly affected, with variable price funds such as ASN ending the year with negative total return. Meanwhile, our flagship fixed price fund, ASB distributed a lower amount of 6.50 sen per unit together with a bonus distribution of 0.50 sen per unit, lower than previous years but still commendable in light of the challenging market environment.

It is important to note that in absolute terms, the total amount of dividends distributed to all unit holders in 2018 of RM15.0 billion was the largest ever since PNB's inception. The magnitude of the returns that we generate for our unit holders makes us acutely aware of our responsibility of stewardship over the RM252 billion of assets which they have entrusted to us. It is because of this that we avoid taking excessive risk, and continuously endeavour to ensure that our returns are truly sustainable. When the market is volatile and on a downward trend, we do not want to take unnecessary risk or prematurely realise our positions in pursuit of short-term gain, at the expense of future returns. We instead hold firm to our long-term investment horizon, as well as our mandate to safeguard the value of our unit holders' assets, which means that our profitability will inevitably reflect at least in part the short-term fluctuations of the market. But we are confident that our unit holders understand and appreciate that it is only by doing this that their returns can be sustained consistently and their assets preserved over the long run.



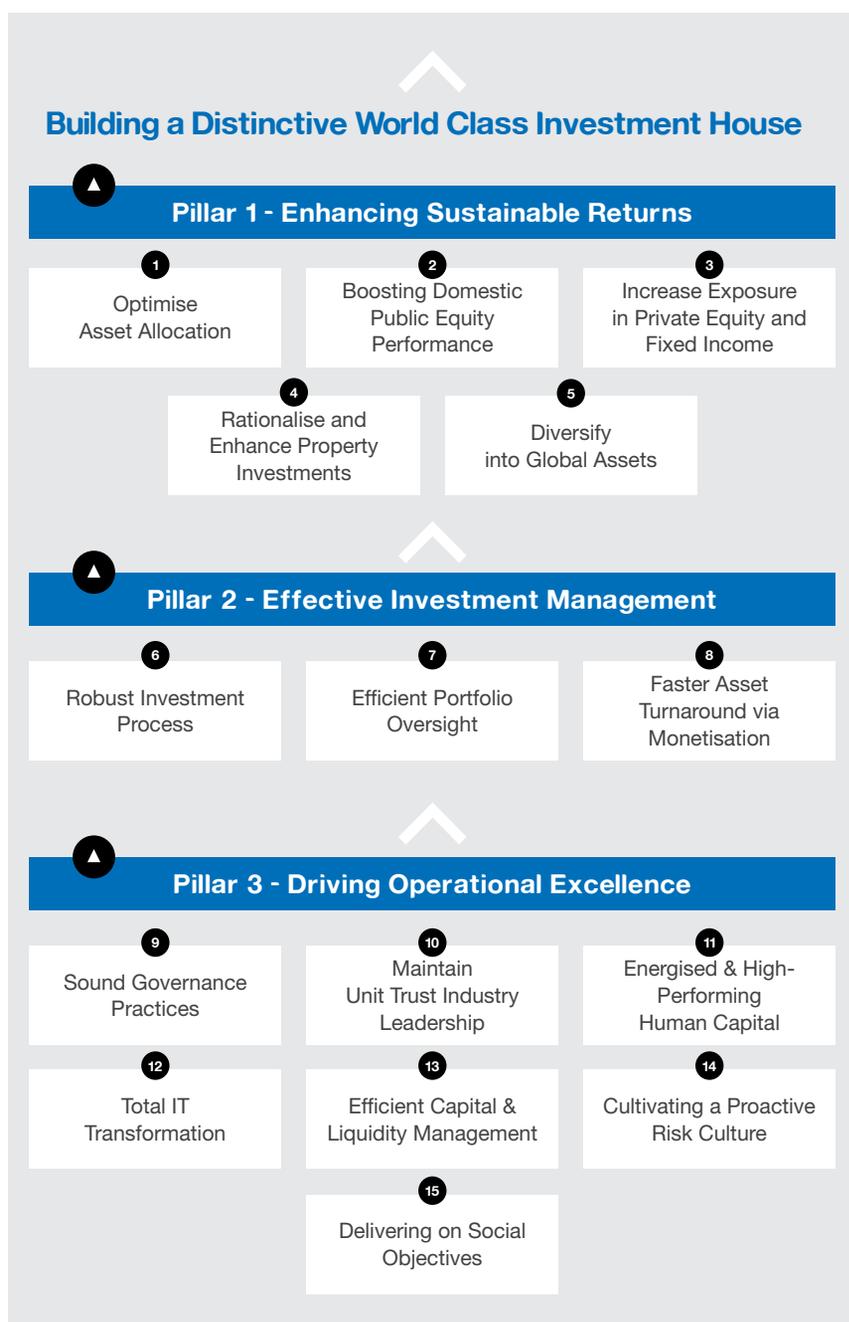
It is more important than ever that PNB stays true to who we are - a long-term investor focused on delivering sustainable returns

**Dato' Abdul
Rahman Ahmad**

President & Group Chief Executive

Progress Update on PNB's Strategic Plan

Implementation of PNB's Strategic Plan 2017-2022 continued in 2018, with various initiatives executed in line with our overarching goal of becoming a distinctive world class investment house with an AUM of RM350 billion by 2022. To recap: Pillar 1 is centred on enhancing sustainable returns, Pillar 2 revolves around effective investment management whilst Pillar 3 focuses on driving operational excellence.



Optimising Asset Allocation, Increasing Exposure into Private Equity and Fixed Income, and Diversifying into Global Assets

A key initiative under Pillar 1 is to optimise the asset allocation of our investment portfolios. Having formulated our Strategic Asset Allocation Framework in 2017, we continued to judiciously redeploy surplus cash into fixed income securities and global assets in 2018, in order to move towards our approved long-term target asset allocation. Our portfolio's allocation to global assets rose to 3.3% at the end of 2018 from 2.4% in 2017, with approximately RM2 billion being invested outside the country during the year.

We acknowledge that this rate of deployment was slower than the pace we had planned for, considering our international exposure is still significantly below our optimal level. We were constrained in 2018 by currency fluctuations, which meant that it was not the right time for us to deploy aggressively. For the years to come, one of our key priorities will be to accelerate the diversification of our portfolio, whereby we intend to meaningfully increase the percentage of global investments across all asset classes. However, we will undertake this prudently, to ensure that our planned deployment will be judicious and gradual in approach, taking into consideration the right market entry and suitable opportunities.

This continuing diversification, and our efforts to optimise our asset allocation, are a key enabler for PNB to enhance our ability to continue delivering sustainable returns, which is also why in 2019, we will be making both Strategic Asset Allocation as well as Enterprise Risk Management as two of our three key focus areas under the Mid-Term Review of PNB's Strategic Plan.

Boosting Domestic Public Equity Performance

2017 was an extremely good year for our strategic companies, whereby their increase in market capitalisation nearly doubled that of the FBM KLCI as a whole. However, this was in contrast to 2018, where Corporate Malaysia faced a perfect storm of challenges, including low CPO prices, a rapid decline in crude oil prices and the soft property market, which saw the market capitalisation of our strategic companies decline by approximately RM16.9 billion in 2018. This meant that our companies gave back almost half of the RM39.5 billion gain in market capitalisation that they made in 2017.

As at 31 Dec 2018		Price change (%)	TSR (%)	Increase in market cap (RM bil)
 Maybank	Maybank	-3.1	+2.7	-0.7
 Sime Darby	Sime Darby	+8.6	+11.9	+1.3
 Sime Darby Plantation	Sime Darby Plantation	-20.7	-17.9	-8.4
 Sime Darby Property	Sime Darby Property	-44.1	-41.9	-5.3
 Setia	S P Setia	-41.8	-38.6	-2.9
 UMW	UMW Holdings	+5.2	+6.0	+0.3
 VELESTO energy	Velesto Energy	-41.0	-41.0	-1.0
 CCM	CCM	-3.2	+0.2	-0.01
 DUOPHARMA	Duopharma Biotech	-12.4	-9.5	-0.08
 MNRB	MNRB	-46.0	-46.0	-0.02
Total/Weighted		-8.9	-4.5	-16.9
2017		+20.2	+26.0	+39.5
FBMKLCI		-5.9	-3.0	-23.5

PNB's core companies similarly saw a steep decline in their market capitalisation in 2018, having been significantly impacted by both regulatory challenges as well as headwinds in industries such as oil and gas, telecommunications and construction.

This fluctuation in market capitalisation over a relatively short period of two years serves as a reminder on the importance of building long-term resilience into our strategic and core companies. To achieve this, it is particularly important for PNB to play a more active stewardship role in transforming the performance of our companies. To this end, we successfully formulated our Public Equity Framework early in the year to formalise and structure our approach towards our strategic and core public equity holdings.

For our strategic companies, the focus remained squarely on improving their organic earnings through clear value creation plans. At the same time, we continued to support their growth, with a notable transaction being the RM400 million recapitalisation of MNRB Holdings Berhad. This capital-raising exercise will enable the company to enhance its capital position and support the growth of its takaful and retakaful business.



The President & Group Chief Executive's Review

Overall, our strategic companies managed to sustain their financial performance in 2018, where earnings collectively grew by 2.2% year-on-year. We recognise that more needs to be done and with the creation of more focused pure plays, our companies have begun to undertake the structural shifts and operational improvements necessary to position themselves for better performance going forward.

Profit After Tax and Minority Interests (PATAMI)¹		FY2017 (RM mil)	FY2018 (RM mil)	% change y-o-y
 Maybank	Maybank	7,521	8,113	7.9%
	Sime Darby	615	618	0.5%
	Sime Darby Plantation	3,507	1,727	-50.8%
	Sime Darby Property	624	640	2.6%
	S P Setia	904	671	-25.8%
	UMW Holdings	35	491	n/m
	Velesto Energy	-1,127	-19	n/m
	CCM	-3	26	n/m
	Duopharma Biotech	42	48	13.0%
	MNRB	71	141	98.6%
Total		12,189	12,456	2.2%

¹ All PATAMI figures are according to the respective financial year ends of each company, based on continuing operations and unadjusted for non-recurring items.

At the same time, we have started to actively engage with our core companies to find ways in which PNB can support them in transforming their performance. During the year, one major initiative that we had participated in was Sapura Energy Berhad's RM4 billion recapitalisation exercise. Our support came with clear conditionalities based on the Group undertaking a comprehensive strategic restructuring plan, which includes the monetisation of its exploration and production as well as drilling businesses, and enhancing its corporate governance. With this exercise, the company has been able to comprehensively reduce its debt burden and reposition itself to take advantage of the oil and gas industry's eventual recovery. Following the successful conclusion of the exercise, PNB is now a substantial shareholder in Sapura Energy, and we look forward to working together to see the company's value recover and grow in the years to come.

Looking forward to 2019, continuing to implement the value creation plans for our strategic and core companies will be one of PNB's key priorities for the year. This will involve ensuring that the strategic companies are rigorously executing their value creation plans so as to drive their core earnings growth, as well as accelerating engagement with our core companies to find pathways for their value to recover. It is by investing in truly resilient companies that PNB will be able to continue creating value over the long term.

Increase Exposure in Private Equity and Fixed Income

On the Private Investments front, in 2018, PNB built upon the foundations laid by our approved Private Investment Framework to focus on constructing a robust plan to significantly deploy into private equity assets in the years to come through a structured outsourcing programme. By having a clear and effective structure for identifying, evaluating and selecting the best global private equity fund managers operating in the market segments that suit PNB's risk appetite and return expectations, we believe that we can optimise the returns that we expect to generate from this asset class. We are therefore pleased to be able to report that we have identified six highly reputable global fund managers for the first phase of this programme, and we anticipate that deployment into global private equity assets through these funds will be well under way and further expanded in 2019.

Turning to our Fixed Income portfolio, PNB managed to deploy more than RM3 billion into additional fixed income investments in 2018, taking our allocation to 6.5% of the total portfolio, from 5.8% in 2017. The Board of PNB also approved our Fixed Income Framework, another milestone under PNB's Robust Investment Process initiative to formalise structured frameworks for all asset classes in its portfolio. The Fixed Income Framework provides clarity on our fixed income strategy and allocation, and sets out the key targets and enablers that

we will be putting in place to support a further acceleration of our deployment into fixed income instruments in 2019 and beyond, in line with our long-term strategy to shift cash holdings into higher-yielding relatively liquid assets.

Rationalise and Enhance Property Investments

2018 saw substantial progress being made in our efforts to rejuvenate and rebalance our Real Estate portfolio. Our Real Estate Investment Framework, approved by the Board at the end of the year, will guide our approach and strategy towards investing in this asset class, across a range of sub-categories and geographies.

On the domestic front, one of our priorities is to rebalance our landbank portfolio from being predominantly sub-urban landbanks towards more urban locations. In line with this, PNB Development Sdn Berhad, our landbanking arm, completed the sale of 342.5 acres of land located in Bangi to KL East Sdn Bhd, a wholly-owned subsidiary of S P Setia Berhad, for approximately RM447.6 million in addition to a share of the future profit of the development. At the same time, PNB Development was able to take advantage of the opportunity to purchase three properties and a piece of land, including the Balai Berita in Bangsar and Shah Alam, in a sale and leaseback arrangement with Media Prima Berhad, valued at RM280 million.

We have to acknowledge, however, that enhancing the returns from our domestic real estate portfolio has not been easy, given the current subdued performance of the domestic property market. To address this, we continue to work to enhance the value of our properties through active asset enhancement initiatives and focusing on aggressive marketing to maximise occupancy.

We believe the opportunity in real estate lies globally and in certain segments such as logistics. Accordingly, we are pleased that, together with the Employees Provident Fund Board, we finalised the acquisition of the commercial assets in Phase 2 of the Battersea Power Station Project in London. This iconic development, once completed, represents an attractive investment that will generate long-term recurring yield and capital appreciation. We were also able to realise gains on one of our first investment properties in London, 90 High Holborn, which is part of our effort to maintain investing discipline by recycling capital to optimise potential gains and allow us to take advantage of new investment opportunities as they become available. In addition, the entry of WeWork Companies Inc on a 20-year lease for the entire office space of our Aviation House investment property in London is expected to rejuvenate the building and enhance its value forward.

In 2019, with the Real Estate Investment Framework in place, we plan to enable our unit trust funds to gain exposure to the real estate asset class by investing into global property funds. Just as with Private Investment, PNB will be guided by a robust framework and process to ensure that we are able to select the best global managers with solid track records and deep expertise in the risk strategies and geographies that fit our investment profile. By investing in these funds or similar real estate-based investment vehicles, our funds will be able to access a sound potential source of recurring yields, whilst also benefiting from future capital gains in buoyant markets.

Driving Operational Excellence

In terms of the third pillar of our Strategic Plan, 2018 saw many steps being taken as part of the transformation of ASNB, in line with our initiative to Maintain Unit Trust Industry Leadership.

Our first area of focus was to ensure that we deliver the right products to our customers. This started with the rebranding and repositioning of ASNB's variable price funds in April into a single brand under the ASN brand name but with three distinct categories, namely, Equity, Mixed Asset (Balanced) and Mixed Asset (Conservative). These categories highlight the fund's risk profile and reflects its suitability for investors based on their age or investment horizon, making it easier for unit holders to identify a fund that best suits their personal profile, risk appetite and investment goals. Subsequently in September, we also renamed our fixed price funds to reflect our two iconic brands of Amanah Saham Bumiputera and Amanah Saham Malaysia, which will provide greater clarity and simplicity for investors in each target segment.

As part of our effort to have a strong pipeline of new products, two new funds – ASN Equity 5 and ASN Sara 2 – were launched last September. We are pleased to note that both funds were well received by the public with total investments amounting to RM804 million by the end





of 2018. For 2019, we look forward to continuing this strategy by launching another new variable price fund.

Our second area of focus was to extend ASNB's physical and digital reach. Over the course of the year, we appointed Bank Muamalat, Alliance Bank and Hong Leong Bank to our network of agents, which now stands at 10 agents and 2,602 agent branches nationwide. This further broadens the reach of our funds to more Malaysians across the country.

Efforts to extend our digital reach have also been exceptionally effective. We enhanced the features and functionalities of the myASNB portal, and reached one million registered users by the end of the year, a remarkable increase within the less than two years since its launch in 2017. The increasing usage of the myASNB portal, coupled with efforts to encourage unit holders to use our agents' online portals as well, contributed to total gross sales across all our e-channels of RM3.1 billion in 2018, which represents remarkable growth.

As part of our efforts to make it easier for unit holders to invest with us, we would like to have 'ubiquitous connections' between ASNB and unit holders. To this end, for the first time, we made it possible for our unit holders to invest through Maybank ATMs, as well as introduced real-time online transactions and portfolio viewing through Maybank's online portal, Maybank2u.com. This additional accessibility is something that we are excited about, and hope to roll out to more agent banks in 2019.

Enhancing the customer experience for unit holders will always be a very important objective for us. That is why we are very pleased that our continuous efforts to optimise processes at our branches, including the introduction of e-kiosks and improvements in service flow, have seen tangible and significant improvements over the course of the year, with average waiting time reduced to 10.7 minutes from 23.2 minutes in 2017, whilst average service time improved for both cash and non-cash transactions to 3.8 minutes from 5.1 minutes and 7.9 minutes from 13.0 minutes respectively. In 2019, we look forward to not only continuing to improve service quality at our physical branches, but also introduce more digital options and services as part of our effort to create a fully digital experience for our unit holders.

Going forward in 2019, our key area of focus will be to boost recurring investments by unit holders. It is particularly important for us to make it easier for unit holders to invest regularly and consistently, as this is key to them achieving their investment objectives and meeting their future financial needs. We intend to make this a key initiative in 2019, and plan to leverage on our agents' platforms and work together with employers to enable unit holders to automatically invest with us every month.

Another key priority for PNB under Pillar 3 is, of course, our human capital. As our Group Chairman has emphasised,

energised and high-performing talent are a critical component of PNB's continuing organisational resilience amidst our challenging operating environment. In many ways, our people are PNB's most valuable asset of all. As such, we have been working on building a holistic and comprehensive Human Capital Framework to structure and enhance our approach to acquiring, developing and retaining talent, in line with PNB's strategic objectives.

We started out by looking at total rewards, benchmarking against industry peers and linking compensation to performance to create a truly merit-based incentive structure. As we go into 2019, we hope to address career progression as well as learning and development, ensuring that our people are able to grow with us and develop the competencies and skills that PNB needs to continue creating value for unit holders. In doing this, we also hope to effectively plan for our optimal human capital strength across PNB's various functions, as well as develop a strong pipeline of future leaders to continue taking PNB forward, at all levels of the organisation. In addition, we are also excited to be designing a world-class work environment for our people, learning from what the best organisations are doing to make their talent energised, more productive and more collaborative at the workplace.

Ultimately, we believe that only a best-in-class approach to talent, supported by a



work environment of the future, will enable us to create a market-leading workforce capable of delivering on our mandate. That is why continuing the transformation of our talent strategy will be a key part of our focus on Organisational Transformation under the Mid-Term Review of our Strategic Plan, and we look forward to reporting its successful outcomes in the years ahead.

Aspirations for 2019

As we close the door on PNB's 40th anniversary year, I was reminded again and again that it is and always has been a great privilege to manage the money entrusted to us from our unit holders. For the last four decades, Malaysians have invested in our unit trust funds to pay for their critical long-term life goals such as buying a home, funding their children's higher education or a secure retirement. Every decision we make, each strategy we formulate, all the actions we carry out can have a profound impact on millions of individuals. More than anything else, it is that trust that we carry which gives us our clarity of purpose - to enhance the wealth of our unit holders.

As we look towards the challenging environment that lies before us in 2019, it is more important than ever that PNB stays true to who we are – a long-term investor focused on delivering sustainable returns. To address uncertainty and extreme volatility – the new norm for financial markets – as well as the vicissitudes of the global economy, we need to be prepared with a clear plan and act calmly in a decisive manner, a prerequisite for informed and rational decision-making.

For PNB, this means looking beyond returns made for one period and focusing instead on long-term performance and sustainability. It translates into ignoring the 'noise' of short-term fluctuations and undertaking deeper and richer analysis to really be able to see the true fundamental value of the assets that we invest in. And it demands the will and courage to treat temporary market downturns as

opportunities to accumulate and reap the gains when the tide turns. This is what PNB has always done for the last four decades, and this is what we must continue to do to generate sustainable returns for our unit holders for many more years to come.

Acknowledgements and Appreciation

We would like to start by expressing our appreciation and utmost gratitude to the Board of Trustees of YPB, as well as the Board of Directors of PNB and ASNB, for their guidance and leadership over the past year. A warm welcome to the new members of YPB's Board of Trustees, namely YAB Tun Dr Mahathir Mohamad, YB Dato' Seri Azmin Ali, YBhg Tan Sri Ambrin Buang and of course, our new Group Chairman, YBhg. Tan Sri Dr. Zeti Aziz. We look forward to continuing our journey of organisational transformation under the stewardship of Tan Sri Dr. Zeti, benefitting from her vast experience at the frontier of central banking. A warm welcome as well to PNB's new Directors: Datuk Ahmad Badri Mohd. Zahir, Tan Sri Datuk Zainun Ali, Dato Dr. Nik Ramlah Nik Mahmood and Dato' Johan Ariffin as well as Datuk Mohd. Anwar Yahya, who has joined the Board of ASNB. The members of the Boards across all these entities are truly exemplary in their talent and commitment. They are indeed the foundation and the drivers of PNB's purpose-driven culture, and we thank them for their contribution.

We sincerely thank our former Group Chairman, Tan Sri Abdul Wahid Omar, for his contributions over the two years at the helm of the PNB Board. We would also like to thank the directors who retired from PNB's Board last year: Tan Sri Dr. Ali Hamsa, Tan Sri Dr. Wan Abdul Aziz Wan Abdullah, Tan Sri Zarinah Anwar and Datuk Dr. Awang Adek Hussin, as well as Professor Tan Sri Dato' Seri Dr. Noor Azlan Ghazali, who was on ASNB's board. We are truly grateful for your service, dedication and leadership.

Our heartfelt appreciation also extends to Dato' Idris Kechot, PNB's former Deputy President and Group Operating Officer who retired at the end of last year after 34 years of service. Your dedication, hard work and commitment has been integral in growing PNB to where it is today.

We are pleased to welcome Hanizan Hood in her new role as PNB's Chief Investment Officer starting this year. Hanizan has been with us for 22 years and now assumes leadership of all operating units within the Asset Management strategic business unit.

Our deepest appreciation also goes to all PNB's stakeholders, Government Ministries and agencies, regulators, Fatwa committees, and our strategic and core companies. We thank you for your trust and confidence, and look forward to continuing to work together in serving this country.

I would like to end by recognising the extraordinary efforts of my colleagues, my Rakan Sekerja at PNB – who continue to work tirelessly towards our goals and objectives. We have come through a year of challenges and it has not always been easy. I sincerely thank you for your determination and tenacious efforts to enable PNB and its group of companies to continue to deliver on our mandate.

Finally to our unit holders, thank you for believing in PNB and for allowing us to grow your hard-earned capital. We have never forgotten and will never forget our fiduciary duty to you and will continue to act for your interest and your long-term goals in a responsible, prudent and careful manner.

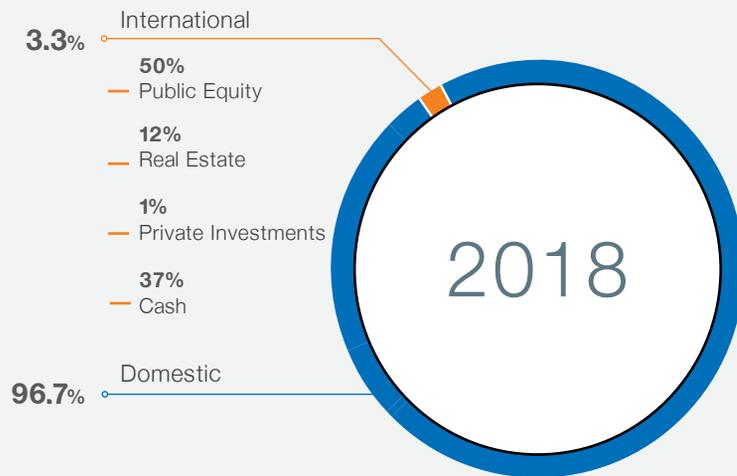
Abdul Rahman Ahmad

Global Footprint, Investment Philosophy and Process

Guided by our long-term fundamentals-based investment philosophy and based on a robust investment process, PNB's investment portfolio is now diversified across asset classes and geographies.

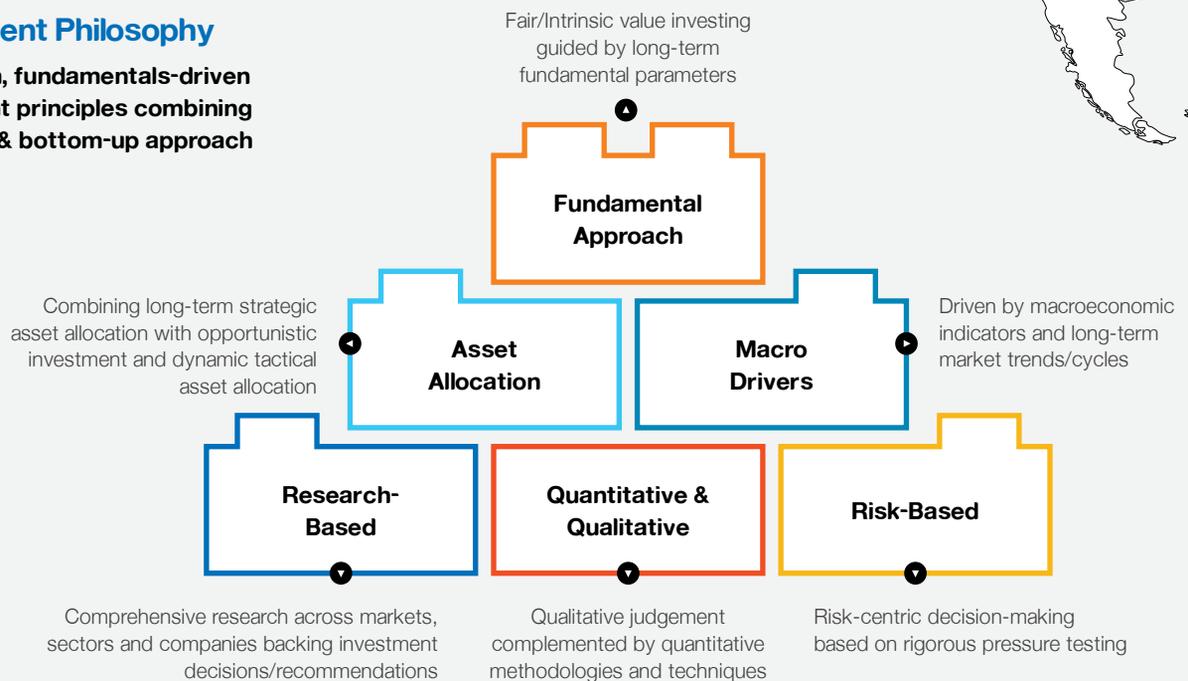


Asset Allocation by Geography



Investment Philosophy

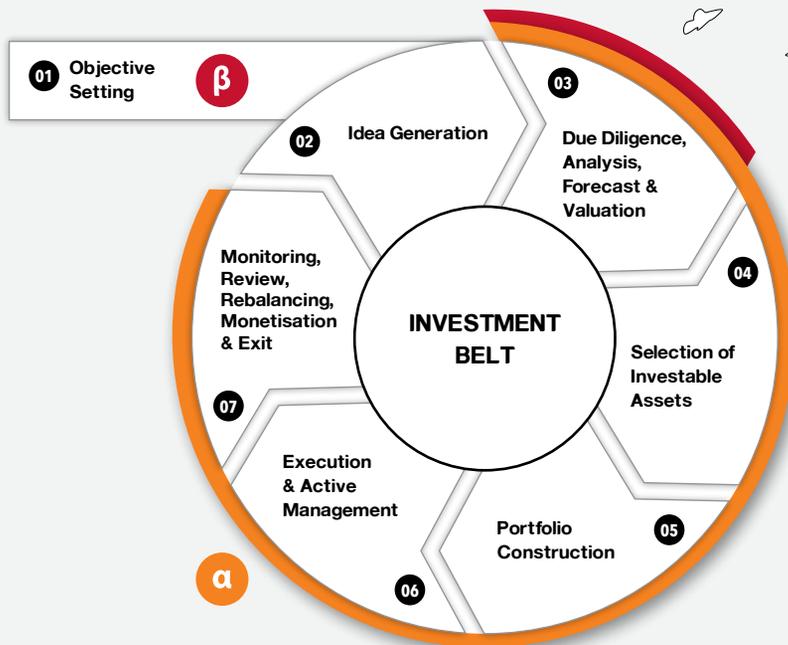
Long-term, fundamentals-driven investment principles combining top-down & bottom-up approach





Investment Process

Robust end-to-end investment process across planning, implementation and monitoring stages



Strategic Asset Allocation

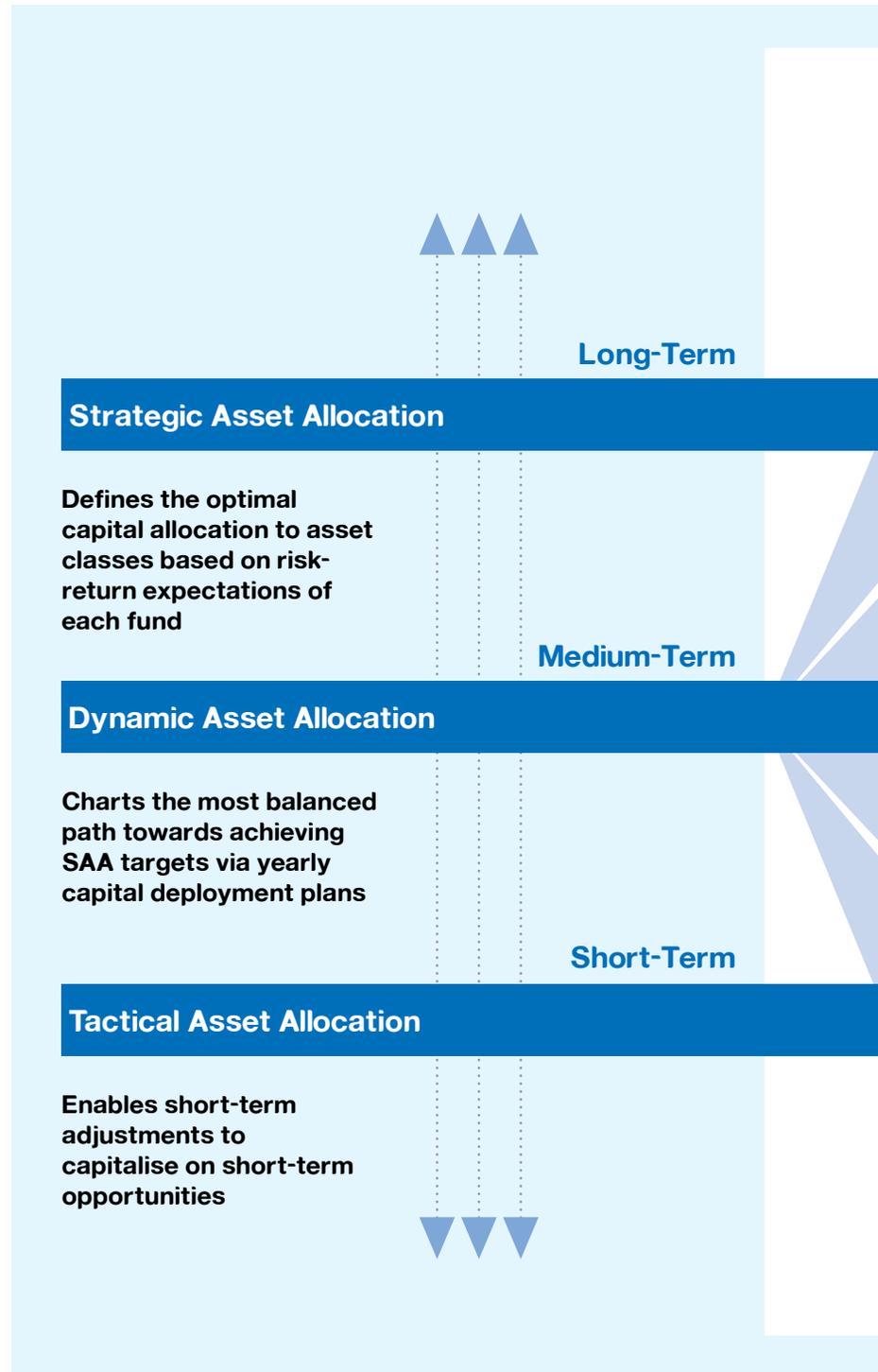
Strategic Asset Allocation (SAA) Framework

PNB's SAA Framework guides the decision-making process of setting optimal longer-term capital allocation targets. It plays an essential part in PNB's initiative to achieve better diversification of risk from its portfolio of investments across different asset classes.

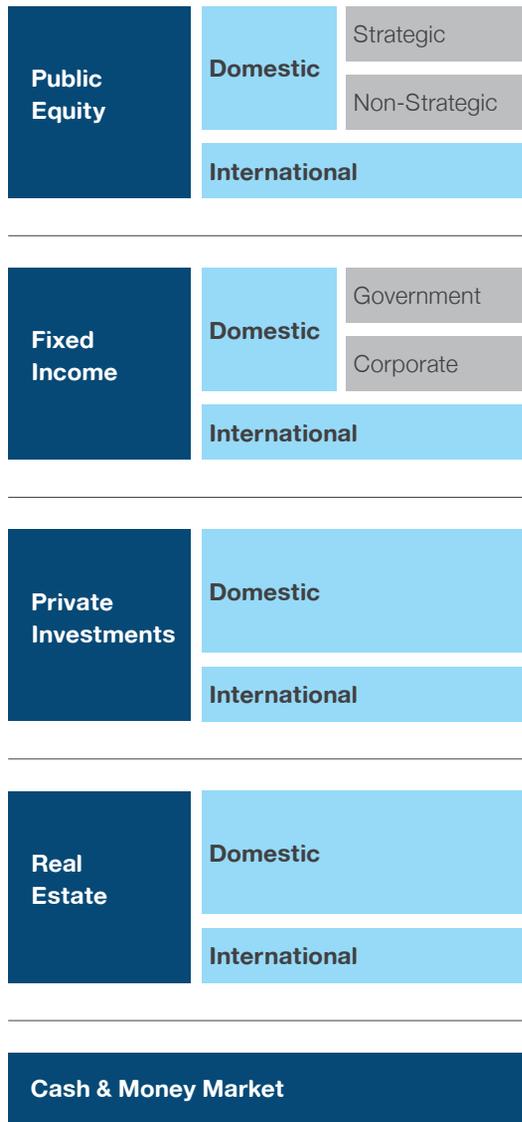
Optimal SAA targets for each respective fund are tailored to take into account the defined risk appetites, return targets and investment constraints of the funds under PNB's management. This is in turn supplemented by our view on the short and longer-term outlook, as well as expectations of risk and return levels across capital markets and asset classes that we are invested in.

PNB's SAA process is built effectively around our strong belief in cultivating a culture of cross-collaboration and collective accountability across the organisation. This is essential in ensuring resources and skills are fully aligned and focused in fulfilling the objectives of our funds and ultimately the expectations of our unit holders.

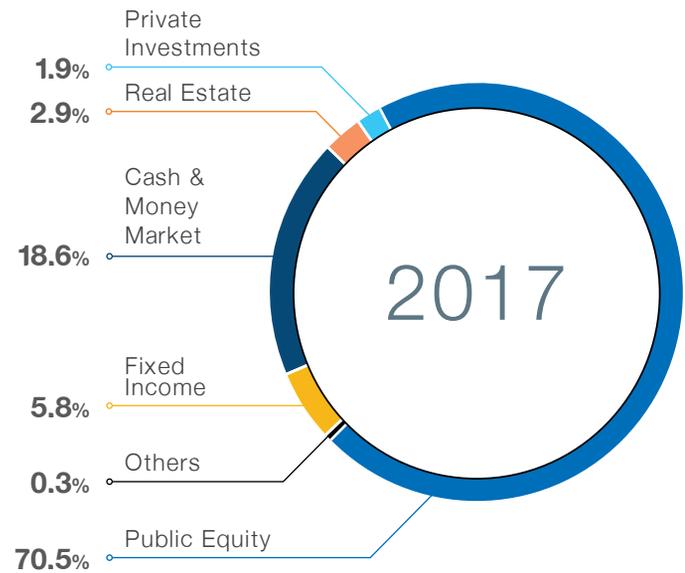
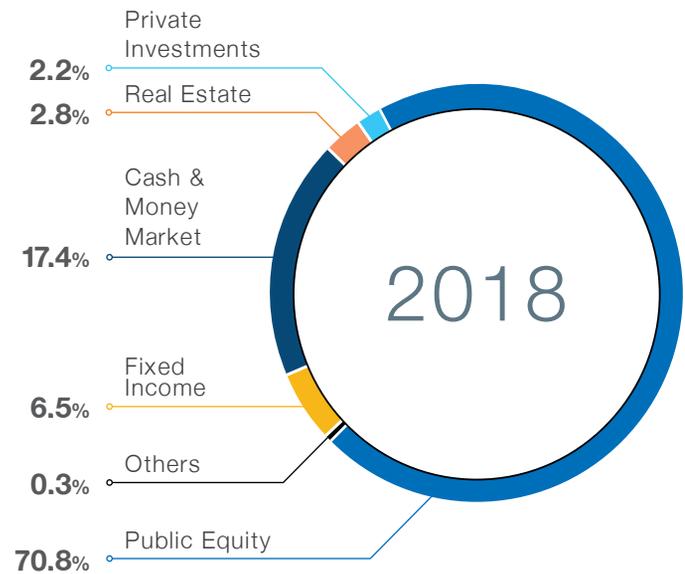
Through this structured and inclusive approach, we are able to continuously establish a more informed and up-to-date view on underlying factors driving expected risks and returns across all the asset classes that we invest in, leading to enhanced allocation decisions. As a result, this allows our funds to be better positioned to maximise diversification benefits towards achieving the optimal risk-return balance, hence setting the stage for continuing, sustainable returns in the years to come.



Asset Classes



Asset Allocation by Asset Class



Public Equity

Our Public Equity Framework sets out a structured approach on how PNB can best add value and transform the performance of our companies. To this end, the framework advocates best-in-class governance as well as capacity building to enhance board and management capabilities.

Guiding Principles of Public Equity Framework

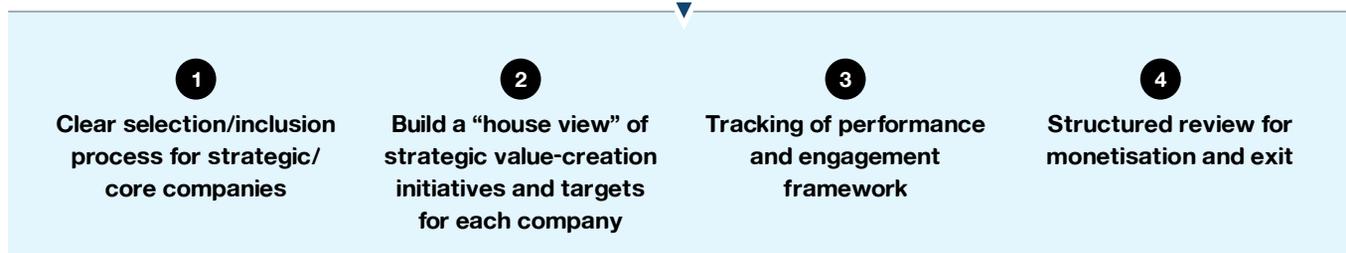
Guiding Principles



Key Enablers



Streamlined and Integrated Approach



Strategic Companies

Companies in which PNB holds a majority or controlling stake.

PATAMI: Profit After Tax and Minority Interests.
All Market Capitalisation and Shareholding figures are as of 31 December 2018.



Malayan Banking Berhad

FYE18

31 December

Net Operating Income

RM **23,630**
million

Market Capitalisation

RM **104,972**
million

PATAMI

RM **8,113**
million

Shareholding

48%



Sime Darby Berhad

FYE18

30 June

Revenue
(continuing operations)

RM **33,828**
million

Market Capitalisation

RM **16,322**
million

PATAMI
(continuing operations)

RM **618**
million

Shareholding

52%



Plantation

Sime Darby Plantation Berhad

FYE18

30 June

Revenue

RM **14,369**
million

Market Capitalisation

RM **32,372**
million

PATAMI

RM **1,727**
million

Shareholding

56%



Property

Sime Darby Property Berhad

FYE18

30 June

Revenue

RM **2,353**
million

Market Capitalisation

RM **6,767**
million

PATAMI

RM **640**
million

Shareholding

57%

Strategic Companies (cont'd)



S P Setia Berhad

FYE18

31 December

Revenue

RM **3,594**
million

Market Capitalisation

RM **9,223**
million

PATAMI

RM **671**
million

Shareholding

60%



UMW Holdings Berhad

FYE18

31 December (Unaudited)

Revenue

RM **11,306**
million

Market Capitalisation

RM **6,391**
million

PATAMI
(continuing operations)

RM **491**
million

Shareholding

59%



Velesto Energy Berhad

FYE18

31 December (Unaudited)

Revenue

RM **573**
million

Market Capitalisation

RM **1,479**
million

PATAMI

-RM **19**
million

Shareholding

60%



Chemical Company of Malaysia Berhad

FYE18

31 December (Unaudited)

Revenue

RM **396**
million

Market Capitalisation

RM **300**
million

PATAMI

RM **26**
million

Shareholding

56%



DUOPHARMA

Duopharma Biotech Berhad

FYE18

31 December (Unaudited)

Revenue

RM499
million

PATAMI

RM48
million

Market Capitalisation

RM629
million

Shareholding

51%



MNRB Holdings Berhad

FYE18

31 March

Gross Earned Premiums

RM2,252
million

PATAMI

RM141
million

Market Capitalisation

RM721
million

Shareholding

57%

Selected Core Companies

Companies in which PNB has more than 10% shareholding or exposure of more than RM1 billion.

		Shareholding
	Telekom Malaysia Berhad	22%
	MMC Corporation Berhad	20%
	Axiata Group Berhad	19%
	IJM Corporation Berhad	19%
	Gamuda Berhad	18%
	Tenaga Nasional Berhad	18%
	BIMB Holdings Berhad	17%
	Bumi Armada Berhad	13%
	CIMB Group Holdings Berhad	12%
	Digi.Com Berhad	12%
	Sapura Energy Berhad	12%
	Maxis Berhad	11%
	RHB Bank Berhad	11%
	IOI Corporation Berhad	10%

Enabling participation in corporate equity ownership among all levels of society through our investments across all major and strategic sectors of the Malaysian economy

FINANCIAL SERVICES

Strategic Companies



Largest bank in Malaysia as well as the largest company by market capitalisation. Serving more than 22 million customers through its network of over 2,400 branches across 20 countries including all 10 Southeast Asian nations. Maybank Islamic is the largest Islamic bank in ASEAN by total assets.



Malaysian Re is the largest national reinsurer by assets in the Southeast Asia region. Takaful IKHLAS Family and Takaful IKHLAS General serve more than 2 million policyholders.

PHARMACEUTICAL

Strategic Company



One of the nation's largest providers of generic drugs and over-the-counters with more than 20% market share of the domestic generic segment.

Core Companies



CHEMICAL

Strategic Company



One of the top three polymer coating solution providers for the global glove industry. One of the nation's largest chlorine producers, used for the treatment of water supply for millions of Malaysian households.

CONGLOMERATES

Strategic Companies



The world's third-largest Caterpillar dealer, offering a comprehensive range of industrial solutions across 17 countries and territories in the Asia Pacific region. One of the leading automotive groups in the Asia Pacific region representing luxury brands such as BMW, Rolls-Royce, Jaguar, Land Rover and Porsche.



No. 1 automotive player in Malaysia through Toyota and Perodua.



OIL & GAS

Strategic Company



The largest Malaysian jack-up drilling rig operator.

Core Companies





PROPERTY
Strategic Companies

Setia

Ranked as Malaysia's No. 1 Developer for an unprecedented 11 times for The Edge Top Property Developers Awards and the only developer in Malaysia to receive a record-breaking 11 FIABCI Prix d'Excellence Awards



Property

The largest property developer in Malaysia in terms of land bank size with over 20,000 acres of remaining developable land

PLANTATION
Strategic Company



Plantation

The world's largest oil palm plantation company by planted area
The world's No. 1 producer of Certified Sustainable Palm Oil (CSPO)

Core Company



IOI GROUP

TELECOMMUNICATIONS

Core Companies



CONSTRUCTION
Core Companies



INFRASTRUCTURE & UTILITIES

Core Companies



Private Investment

Through our Private Investment Framework, PNB has identified a structured approach to enable us to effectively deploy into this asset class. At the same time, PNB is continuing to build upon and enhance the potential of our current long-standing private equity portfolio.

Private Investment Framework

Vision

To meaningfully participate in the attractive Private Investment (PI) asset class, thereby enhancing returns for the PNB Group

Priorities

Buyouts - Global

Scalability, core risk-return profile of PI asset class

Growth - Global

Emerging economies, new-age industries

Secondaries - Global

Complementary cash profile to PI portfolio

Direct - Malaysia

Alpha-generating capabilities domestically

Co-investments - Global

Alpha-generating capabilities globally

Venture Capital (VC) - Global

Opportunistic, alongside top-tier VC firms

Enablers



Talent

Reorganised PI team in line with targeted portfolio



Governance

To accommodate the cadence and nuances of PI investing



Process

Best-in-class practices to enable efficient execution



Risk

PI-specific risk framework

Controlled Investments



Malaysian Industrial Development Finance Berhad



Projek Lintasan Kota Sdn Bhd (PROLINTAS)

Selected Minority Investments



Goodyear Malaysia Berhad



BOH Plantations Sdn Bhd



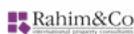
Unilever (Malaysia) Holdings Sdn Bhd



Perusahaan Otomobil Kedua Sdn Bhd



Maybank Asset Management Group Sdn Bhd



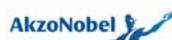
Rahim & Co International Sdn Bhd



Ansell N.P. Sdn Bhd



Aspac Lubricants (Malaysia) Sdn Bhd



Akzo Nobel Paints (M) Sdn Bhd



Lam Soon (M) Berhad

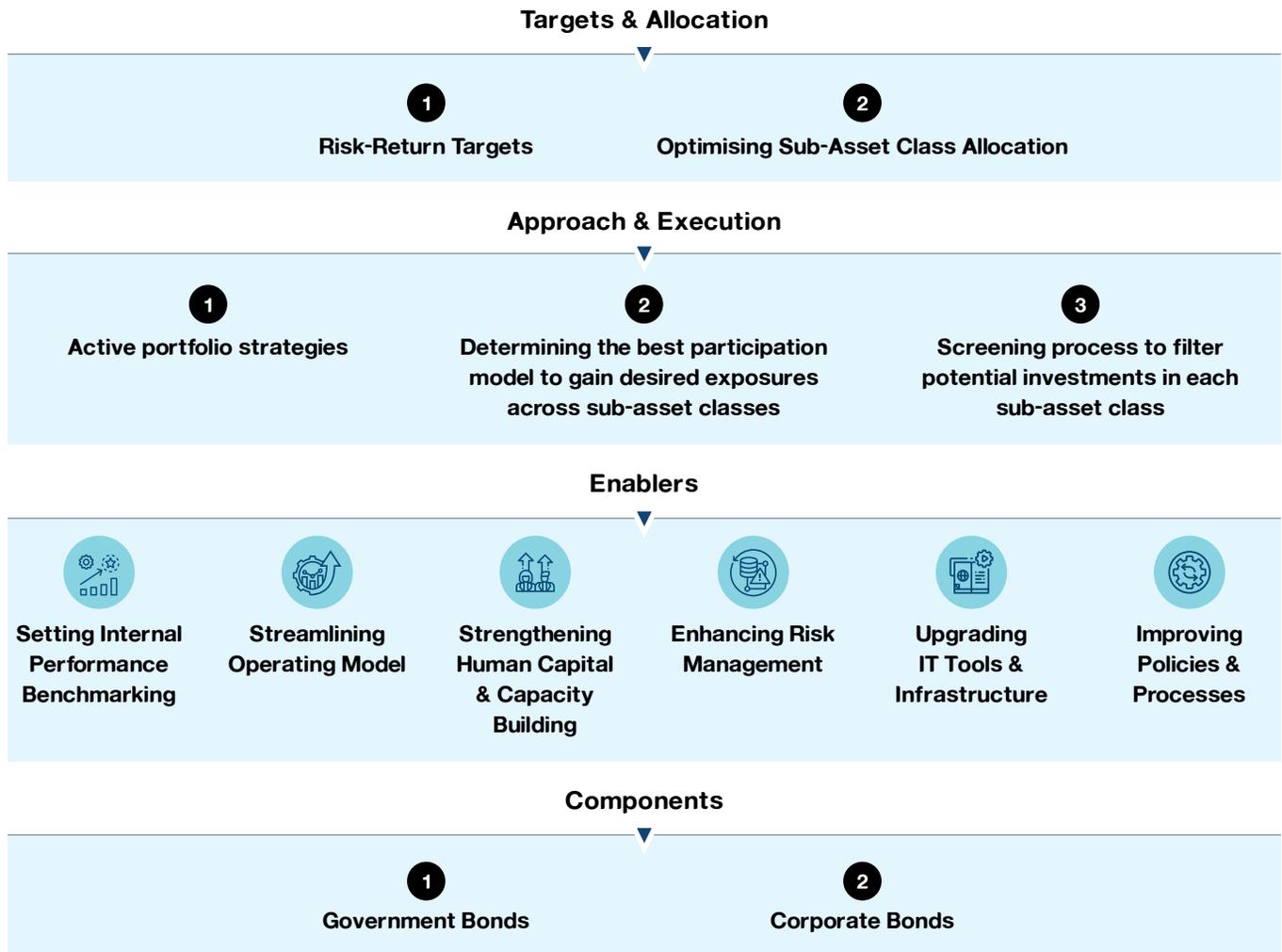
Outsourced Investments



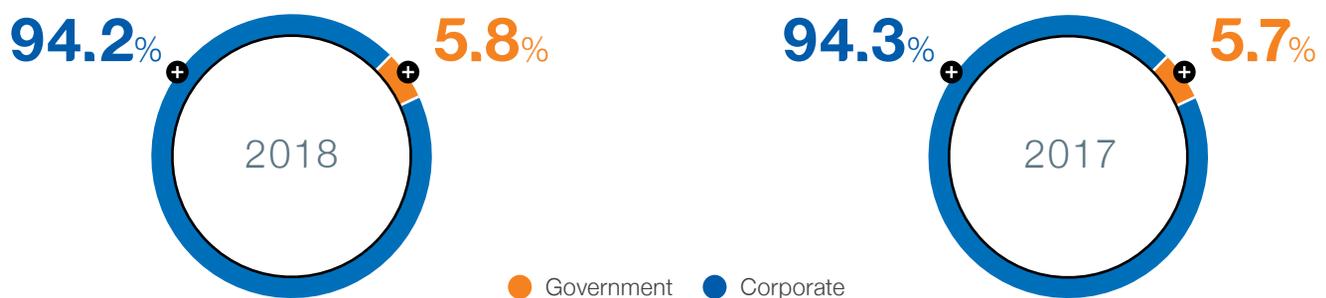
Funds managed by a selection of top-tier global fund managers

Our Fixed Income Framework, meanwhile, sets out the necessary foundations and guiding approach for us to significantly increase our exposure to this asset class within the next three to five years in line with PNB's long-term asset allocation target.

Fixed Income Framework



Fixed Income Portfolio Breakdown



Real Estate

The Real Estate Investment Framework was developed to assist PNB in identifying real estate segments and geographies which are in line with PNB's long-term risk-return objectives as well as a structured approach in meaningfully expanding PNB's portfolio allocation to the real estate asset class.

Real Estate Investment Framework



Domestic & International Properties

38

Investment Properties across Malaysia

9.2 million sq ft

Net Lettable Area



Setia I & II



No. 26, Jalan Sultan Ismail

4

International Properties

1.05 million sq ft

Net Lettable Area



Aviation House



Milton & Shire House

Hospitality

8

Hotels & Resorts

3

Golf Courses

1,319

Number of Rooms

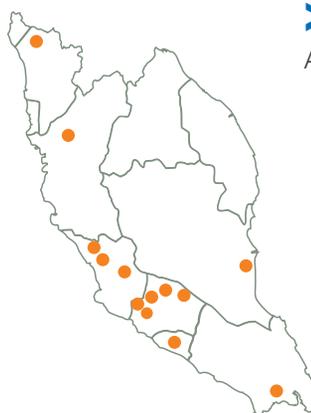


Kinrara Resort

Landbanking

>10,000

Acres of Land





“

Our digitalisation efforts are critical to encourage more people to invest and to boost financial literacy, especially among the younger generation and the more IT-savvy unit holders. I am glad to have our partners aligned with us on this aim. Although we are moving towards a fully digital customer journey for the more sophisticated unit holders, **we will not compromise on our physical service delivery standards for our unit holders.**”

Dato' Abdul Rahman Ahmad
President & Group Chief Executive of PNB
ASNB Starz Awards 2018

ASNB's Strategic Plan 2018-2022

Following the launch of PNB's Strategic Plan 2017-2022 in late 2016, ASNB has since embarked on its own transformation journey by unveiling its five-year Strategic Plan. The Plan aims to sustain ASNB's leadership position in the unit trust industry via three Strategic Thrusts:



Pillar I: Delivering the Right Products to Customers

ASNB is focused on ensuring that its product range continues to meet investors' needs. To this end, three primary initiatives were rolled out in 2018:

1. Repositioning and rebranding of ASNB's variable price funds

- a) ASNB repositioned its variable price funds offerings to meet the different investors' requirements across three distinct phases of their life cycle, namely young, peak, and mature.

Age Group	Risk Tolerance	Life Cycle	Investment Objective	Suitable Fund Category
YOUNG (Up to late 40s) 	High	Wealth Building	Aggressive growth in capital and net worth with a consistent income stream	Equity
PEAK (Late 40s - early retirement) 	Moderate	Wealth Accumulation	Moderate but consistent growth in net worth and stable income stream	Mixed Asset Balanced
MATURE (50 years and above) 	Low	Wealth Preservation	Steady income stream to fund lifestyle	Mixed Asset Conservative

- b) The investment objectives of each fund type were recalibrated and reaffirmed by emphasising a true-to-type approach to properly reflect the distinct features of each product and categories.

In order to facilitate this repositioning, ASNB rebranded its six existing variable price funds to enable immediate and simple understanding of their product attributes. This involved retaining the strong 'ASN' brand name across all variable price funds for brand legacy, whilst adding the category of the fund to the name, in order to better reflect the true-to-type approach.



2. Renaming of ASNB's Fixed Price Funds

ASNB's six fixed price funds were renamed for clarity and simplicity - ensuring that their names will remain relevant going forward whilst continuing to leverage on the strong legacy of the existing fund brands of Amanah Saham Bumiputera and Amanah Saham Malaysia.

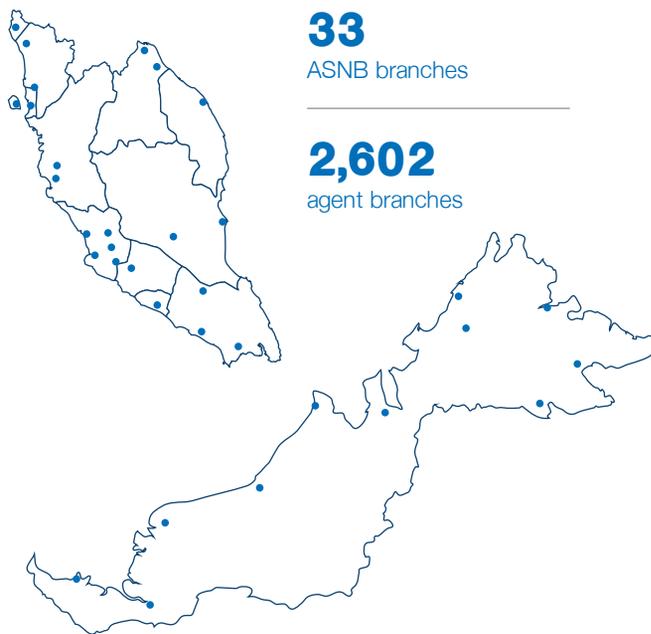


3. Launch of Two New Variable Price Funds

As part of ASNB's strategy to accelerate the launch of new funds to tap into investors' demand and offer a wider suite of products under each fund category, two new variable price funds were launched in September 2018. The funds saw an encouraging response from investors, with combined gross sales of more than 800 million units as at end of December 2018.



Pillar II: Transforming Marketing, Sales and Distribution



No.	Initiative	Immediate Impact
1.	Appointment of Alliance Islamic Bank, Bank Muamalat Malaysia, Hong Leong Bank and Hong Leong Islamic Bank as new agents	ASNB products and services can be accessed via 2,602 agent branches nationwide
2.	Opening of two new branches, in Segamat and Sungai Petani, and a sub-branch at UTC Selangor	ASNB now has a total of 33 branches nationwide including one sub-branch at UTC Selangor
3.	Introduced an Area Representative structure to strengthen ASNB's partnership with its appointed agents and to streamline its regional sales focus	Gross sales by agents increased by 21.9%

Pillar III: Enriching Customer Experience

myASNB PORTAL ENHANCEMENT & UBIQUITOUS CONNECTIONS



Enhancing myASNB Portal features and functionalities:

- ▶ Comprehensive statements
- ▶ New product tab
- ▶ Purchase of units for funds not yet registered/subscribed
- ▶ Total portfolio view and control by guardians



▼ YTD Registered Users

1.0 million

users for the portal

▼ YTD Online Sales

3.1 billion units

Real-time transaction at Maybank ATMs

Enhancing Branch Service - Delighting Interactions		
	2017	2018
▶ Waiting Time	23.2 min	▶ 10.7 min
▶ Service Time (Cash)	5.1 min	▶ 3.8 min
▶ Service Time (Non-Cash)	13.0 min	▶ 7.9 min

- i. ASNB delivered significant customer experience improvement at its branches where the aggregate waiting time improved by 54% whilst the aggregate service time improved by an average of 39%.
- ii. To promote the utilisation of the myASNB portal, ASNB introduced 184 kiosks nationwide to facilitate Customer Information File (CIF) updates as well as registration of the portal. As at 31 December 2018, a total of 5 million unit holders have updated their CIFs and 1 million users have registered with the myASNB portal. Together with its agents' respective online platforms, total sales generated from online transactions reached RM3.1 billion, or a remarkable growth of 106.7% from 2017.
- iii. ASNB has embarked on a "ubiquitous connections" initiative to expand the range of unit holder touchpoints and enhance the convenience of transactions. To this end, as a pilot project, effective 18 December 2018, real-time transaction options were introduced through Maybank2u and all Maybank ATMs.
- iv. During the year, estate claim services for unit holdings below 10,000 units were made available at all ASNB branches. ASNB also introduced information counters and free WiFi at all its branches to further improve interaction with customers.
- v. As an initiative to gather unit holders' feedback and gauge their satisfaction on ASNB products and services, ASNB appointed Nielsen Malaysia, a global independent market research expert, to conduct a Customer Satisfaction Survey for the year 2018. The feedback, suggestions and recommendations from the survey will be used to help ASNB understand the needs of its unit holders with the aim to provide unit holders with better services and customer experience in the future.





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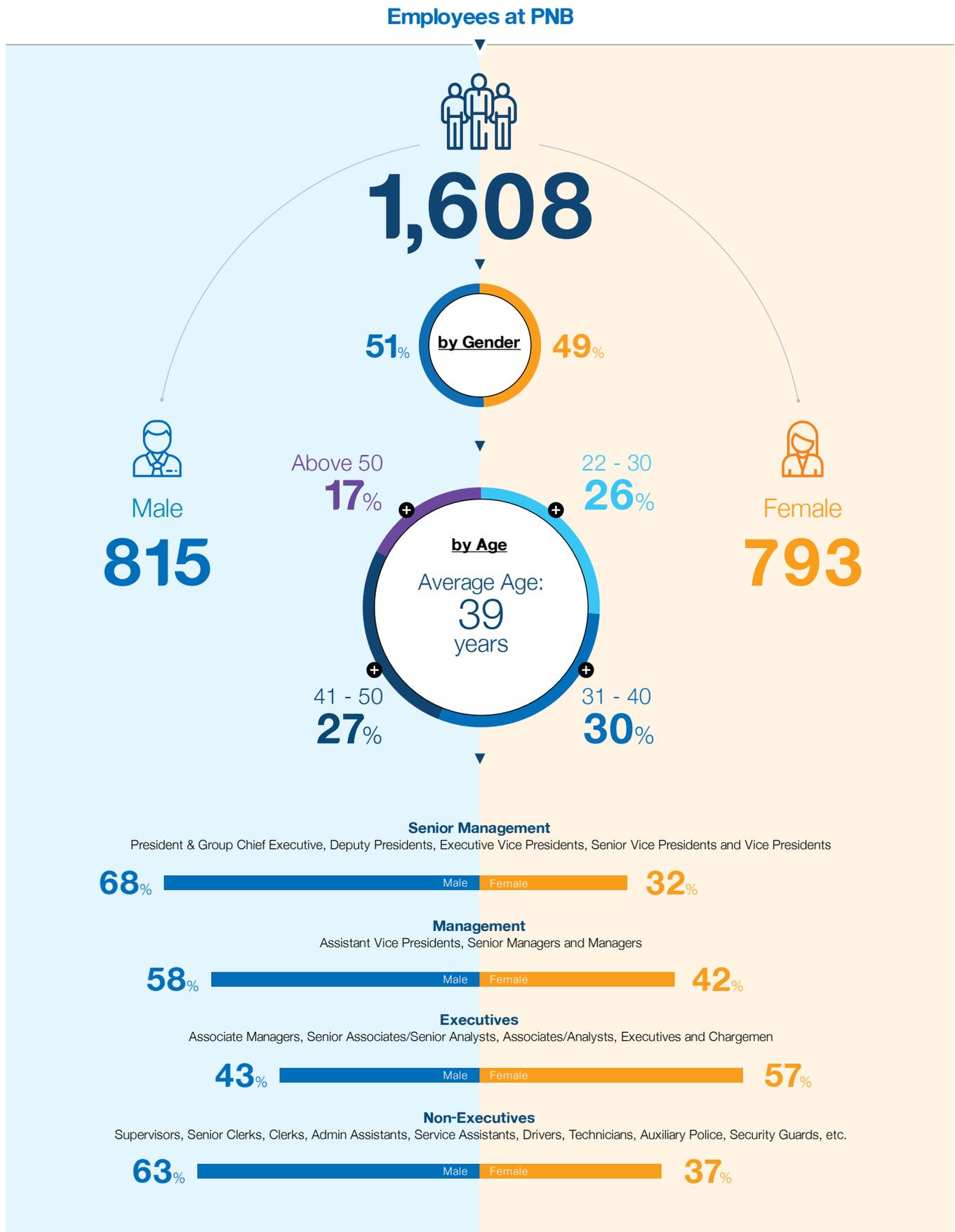
PNB continues to promote a learning culture amongst its staff for professional and personal growth. Going forward, the availability of good talent will become the pivotal factor determining PNB's capacity to reinvent and transform to becoming a distinctive world class investment house... **PNB will continue to invest significantly in human capital development, as it will be pertinent for the future development and growth of the PNB Group.**”

Tan Sri Dr. Zeti Aziz

Group Chairman of PNB

PNB's 40th Anniversary Annual Dinner 2018

Key Statistics: Human Capital



With over 1,600 employees contributing to what we do, our people are a central element of PNB's organisational capability to deliver on the mandate that has been entrusted to us. Strengthening our human capital is a high strategic priority and PNB provides its employees with various opportunities for life-long learning. Taking a holistic approach to ensure the totality of experience that our employees have before, during, and after working with PNB, our training programmes have been developed to meet the different needs of our employees' lifecycle throughout their tenure at PNB.

Initial Exposure

Internship

- Our internship programme was designed to facilitate the personal growth of new graduates and further develop their skills.
- This programme aims to provide interns with the opportunity to gain hands-on work experience across various areas whilst providing invaluable insights into the roles and daily operations of various departments in PNB.

PNB Graduate Executive Trainee (PNB GET) Programme

- The purpose of PNB GET programme is to bridge the skills gap between academic qualifications and industry requirements.
- This programme spans two months of intensive development training and 10 months of on-the-job training.

+ **3,719** interns since 2005

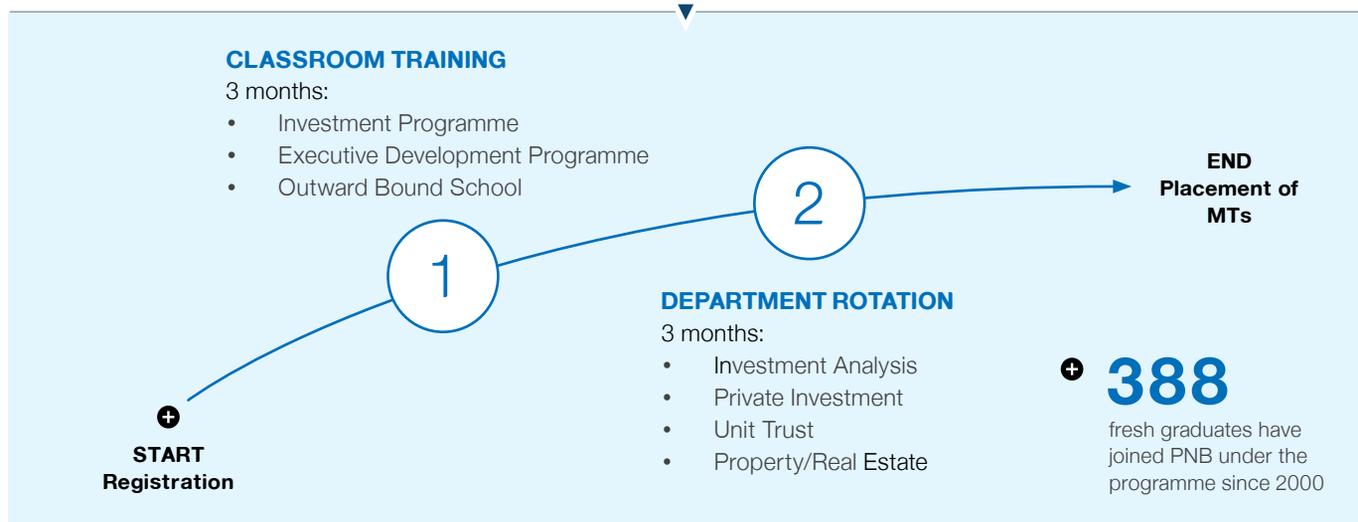
+ **2,169** graduates trained since inception of the programme in 2011

Onboarding

Management Trainee (MT) Programme

- This structured onboarding programme was established in 1982 to develop fresh graduates for their career with PNB.

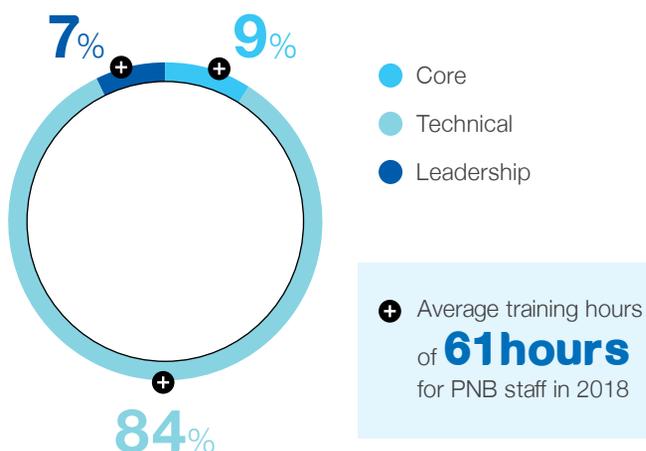
PNB MT Development Path



Competency Development

Continuous Training

Courses Held Based on Competencies for 2018



Upward Mobility Scheme (UMS)

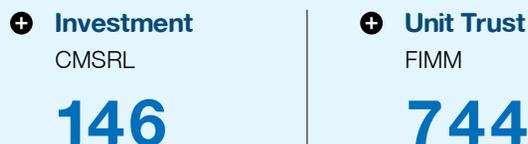
- The objective of this programme is to assist staff in having a smooth transition from Non-Executive to Executive positions.
- To this end, PNB has collaborated with local universities such as Universiti Malaya (UM) and Universiti Teknologi Malaysia (UTM) for the training modules.

Batch	No. of Staff	Remarks
2016	12	Completed Executive Diploma programme at UM in December 2018
2017	17	Undergoing Professional Diploma in Business Administration at UTM. Expected to complete in August 2019
2018	75	Non-Executive staff promoted to Executive positions on 1 November 2018

+ **146** Non-Executive staff promoted to Executive positions since 2001

Licensing

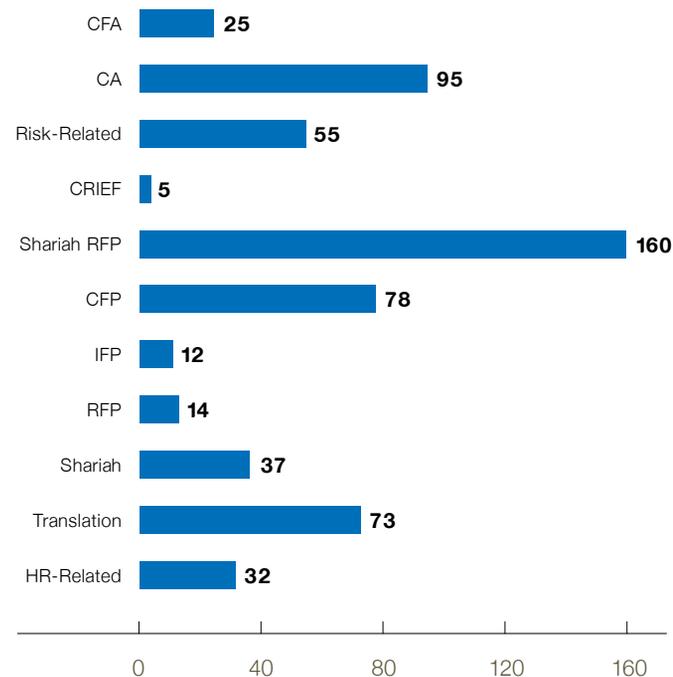
The two major principal activities in PNB require its staff to be licensed with the Capital Market Services Representative's Licence (CMSRL) and the Federation of Investment Managers Malaysia (FIMM).



Professional Certifications

PNB continuously encourages its staff to pursue professional certifications:

No. of Professional Qualifications held by PNB Staff as of 2018



CFA: Chartered Financial Analyst
CA: Chartered Accountant
CRIEF: Certificate of Real Estate Investment Finance
Shariah RFP: Shariah Registered Financial Planner
CFP: Certified Financial Planner
IFP: Islamic Financial Planner
RFP: Registered Financial Planner
Shariah: Certificate in Shariah Islamic Banking
Translation: Professional Diploma in Translation

Staff Education Sponsorship Programmes

- As part of the company's effort to improve education level and career enhancement, PNB also offers employees the chance to upgrade their qualifications.

In 2018, 16 security guards attended “Kursus Asas Polis Bantuan”, thus qualifying them as Polis Bantuan PNB

- To this end, PNB provides sponsorships for staff to pursue diploma, degree or masters programmes, as well as professional qualifications locally or overseas.

1

Full sponsorship for MBA Program at the University of Chicago Booth School of Business, USA

7

Partial sponsorship for staff pursuing degree & masters programmes

56

Full sponsorship for professional qualification programmes

Leadership Development

Secondment Programme

- With the aim of providing hands-on experience in the operations of PNB Group of Companies, PNB also provides secondment/ attachment opportunity for its talents.
- The programme provides experience and opportunities for knowledge sharing, enhances skills, and encourages team work.
- This in turn boosts morale and motivation, provides opportunities for career development in line with the succession planning and development of young talent capability for future leadership roles, as well as inculcates innovation and cultural exchanges.

Leadership Development Programme

- As PNB continues to grow beyond its 40 years of strong track record, the company recognises the need for a comprehensive succession plan to ensure business continuity and sustainability.
- Its Leadership Development Programme focuses on developing the best resources through well-targeted talent development efforts which include, among others, offering opportunities to staff to hone their leadership skills through credible leadership programmes.

During the year under review, six employees were identified and enrolled at the following renowned business schools.

1

Harvard Business School, USA

3

London Business School, UK

2

European Institute of Business Administration (INSEAD), France

- In collaboration with the International Institute for Management Development (IMD), Switzerland and the Iclif Leadership and Governance Centre (ICLIF), PNB also conducted in-house leadership training programmes for its high potential young talents and senior leaders to further develop and empower them with leadership skills.

Pre-Retirement

Pre-Retirement Training

- As a company which values its employees' loyalty and contribution to the company, staff who are close to retirement age are given the opportunity to attend a pre-retirement training programme.
- This privilege is for all staff who have served the company for at least five years.
- The key objective of the programme is to help them adjust to the transition from working life to retirement, as well as enabling them to acquire new skills and tools that they can apply during their retirement.

+ In 2018, 20 staff went for various pre-retirement trainings, based on their areas of interest

Business Process & Innovation

Business Process Re-engineering (BPR)

Under the leadership and guidance of the PNB Business Process Management Steering Committee, seven BPR projects were initiated in 2018 to improve the efficiency and effectiveness of business processes, as well as optimise service offerings. These projects involve a number of key processes across the organisation, including branch transactions, procurement, investment, Anti-Money Laundering (AML) monitoring and reporting, estate claims and call centre operations management. The success of BPR projects hinges on the acceptance of key stakeholders, which is achieved by effectively instilling a culture of innovation throughout PNB to ensure that all staff are committed to continuous organisational improvement.

BPR consists of five key stages, namely:



Cultivating Innovation

To complement these BPR initiatives, the PNB Innovation Challenge (PIC) which debuted in 2017 was continued on a greater scale in 2018. Initiatives proposed by the top three winners of PIC 2017 had been further developed, piloted and implemented in 2018, including the PNB Events App, which was successfully used during Minggu Saham Amanah Malaysia and Fiesta Labor, as well as innovative platforms leveraging on the latest technologies to provide new digital offerings for customers.

Winners of PIC 2018

GROUP NAME	TECHNOLOGY	DESCRIPTION
ABMO	Smart Inventory Management System (SIMS)	An inventory that improves and enhances the efficiency of asset management. It links two important departments - Procurement and Property Departments - in order to manage PNB assets starting from purchase, to maintenance, and also disposal.
GAMESYS	PNB FunD (Gamification Solution)	FunD, a combination of Fun and Duit/Dollar, is a gamification solution that can be added into the ASNB portal and perhaps mobile app in the future.
PNBPOINTS	Employees Reward Programme (Real-time, App Based)	This idea is a supplementary mechanism to reward and recognise hard work and dedication with real-time benefits. Each employee will have an account that shows their details and points available, where points can be redeemed for consumer vouchers.

Winners of PGIC 2018

GROUP NAME	COMPANY	TECHNOLOGY	DESCRIPTION
I O TEAM	PROLINTAS	Panic Free Mobile App	A digital assistance app to assist road users during an emergency and a means of connection to reach for support along PROLINTAS highways.
UMW IoT PROJECT	UMW Industrial Power Services Sdn Bhd	Internet of Things on Old Mechanical Gensets	Integrating IoT and Big Data Analytics into old legacy mechanical gensets to transform gensets to become electronic.
FUTURA	CCM Duopharma Biotech Berhad	EazyFizzy	An effervescent tablet that overcomes the inconvenient drawbacks such as container bulkiness and the presence of preservatives in liquid products that will cause skin allergy reaction leading to dermatitis.
KLEC-PI	S P Setia Berhad	Short-Term Rental	An idea for a service-oriented apartment/condominium that investors could capitalise on for the short-term rental market.
NANOPURE	CCM Polymers Sdn Bhd	Purification Simplified	Design of a novel high functionality polymer system for water treatment process.
GREEN TURBO	Sime Darby Plantation Berhad	Energy Self-Sufficiency	An idea to replace current palm oil mill turbines to optimise consumption of biomass fuel in order to maximise generation of excess biomass.







“

As we seek to extend our impact to benefit not just our direct stakeholders but also to the overall Malaysian community, PNB has embedded a corporate social responsibility (CSR) strategy that forms a key part of our organisational culture. PNB's CSR framework **focuses on delivering social objectives in the areas of education for the underprivileged and for the development of professionals**, in the area of addressing health as well as in enhancing financial literacy to contribute towards uplifting the well-being of our community.”

Tan Sri Dr. Zeti Aziz

Group Chairman of PNB

Official launch of IJN-PNB Imaging Centre

Corporate Social Responsibility Report

As an investment institution set up with a clear and specific mandate for the Bumiputera community and all Malaysians, everything that PNB does is ultimately in furtherance of our social objectives. Our unit trust products aim to mobilise the savings of our unit holders and generate sustainable returns on their investments, thus increasing their share of equity ownership and enabling the nation's corporate wealth to be shared and distributed equitably. At the same time, PNB's mandate puts us in a central position to strive to overcome a range of socio-economic challenges faced by the people.

Cognisant of PNB's greater purpose, over the past four decades, we have sought to create shared value across wider social dimensions beyond financial returns alone, which can be expressed in the form of four main pillars. Firstly, we strive to contribute to the development of the nation's human capital as well as social mobility through expanding access to educational opportunities. Secondly, the marketing of our products always goes hand-in-hand with a focus on financial literacy, aimed at catalysing a paradigm shift in the mindset of Malaysians in the areas of financial planning and investments. Thirdly, PNB actively supports initiatives which can contribute to the general upliftment of the community. And finally, we seek to facilitate the growth and sharing of the nation's knowledge base in areas of particular relevance to our operations and mandate.

Some of our CSR programmes are driven internally within PNB, backed by our extensive experience in areas such as marketing and financial literacy, as well as the provision of scholarships. At the same time, PNB also partners with government entities and agencies as well as other companies where synergistic partnerships can create truly practical and sustainable solutions to certain challenges and problems.

PNB's CSR initiatives are an important platform for PNB to connect with the wider community, including our own unit holders, and gain a deeper understanding of their financial needs, goals and concerns. Given that a substantial number of our employees are often extensively involved in the planning, organisation and coordination of PNB's CSR initiatives through enterprise-wide programmes such as Minggu Saham Amanah Malaysia, this also provides an opportunity for our employees to give back to society beyond the scope of their daily work.

The Pillars of PNB CSR

01 Education

Breaking the cycle of poverty and creating the next generation of high-calibre professionals



02 Financial Literacy

Creating a financially and investment-literate society



03 Community Upliftment

Developing holistically robust communities



04 Knowledge Sharing Initiatives

Enhancing the nation's knowledge base, particularly in the investment sphere



Pillar 1: Education

Education is a critical pillar of our CSR activities as it is through providing access to top quality education that we are able to develop the right talent pool to support the growth of the nation.

Through PNB's initiatives under the education pillar, a total sponsorship of RM210 million has been spent since inception to improve the lives of 4,044 students.



PNB Global Scholarship Award and the Yayasan Tun Ismail (YTI) Premier Scholarship Award

Scholarships are given to outstanding students to pursue tertiary education in fields relevant to PNB's businesses at some of the best universities in the world.

+ **367**
students since inception

+ Selected Courses:

- Accounting
- Finance
- Law
- Mathematics
- Actuarial Science
- Engineering



 **Among Top 20 Universities in UK**



 **Among Top 20 Universities in USA**



 **Three Universities in Australia**



PNB Chartered Accountant Initiative (PCA)

PNB collaborates with Yayasan Peneraju Pendidikan Bumiputera (YPPB), INTEC Education College and Ernst & Young Malaysia to produce more qualified Bumiputera chartered accountants by 2022. PCA scholars are given the opportunity to pursue their studies at INTEC Education College, Sunway TES Centre for Accountancy and SENTRAL College Penang.

Our PCA scholars have established a track record of performing well and winning awards. In 2018, one of our PCA scholars earned an award from the Association of Chartered Certified Accountants (ACCA) whilst three Certified Accounting Technician (CAT) students also received excellence awards.



▲ Wan Nor Mafudah Wan Yusof (right) is the World Prize Winner for the ACCA Financial Reporting paper in 2018.

Next to her is Siti Nadiyah SH Salleh, who won the 'Top of Class Excellence for Accounting' award after scoring 100% in Accounting for the Institute of Chartered Accountants in England and Wales' Certificate in Finance, Accounting and Business (ICAEW CFAB) examination in 2017.

<p>+ 30 chartered accountants have graduated</p>	<p>+ 893 students currently studying</p>
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<p>In partnership with</p> 	<p>Education providers</p>   	<p>Qualifications offered</p> <ul style="list-style-type: none"> • Certified Accounting Technician (CAT) • Association of Chartered Certified Accountants (ACCA) • Certificate in Finance, Accounting and Business (CFAB-ICAEW) • Malaysian Institute of Certified Public Accountants (MICPA)
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Scholarships for Children of PNB Employees and Scholarships for Former Kolej ILMU PNB Students

We also offer scholarships for children of PNB's employees to pursue foundation level studies, diploma or bachelor's degree programmes at public universities or selected private universities in Malaysia.

Financial and educational support are also given to ex-Kolej ILMU PNB students to pursue their studies in selected universities. These students are from underprivileged households in Kelantan, Terengganu, Pahang, Selangor and Negeri Sembilan. A total of 314 scholars have been sponsored since the inception of this programme in 2005.

<p>Ex-Kolej ILMU PNB</p> <p>+ 314 scholars since inception</p>	<p>Local universities</p> <p>+ 21 public universities</p>	<p>+ 16 private universities</p>	<p>+ 4 Malaysian-based foreign universities</p>
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Pillar 2:

Financial Literacy

PNB continues to be committed towards creating a financially and investment-literate society, with a range of initiatives and activities reaching out to members of the public of all ages and from all walks of life. Our financial education programme has been continuously evolving since PNB's earliest days, and now comprises a structured and systematic year-long programme emphasising the understanding of risk and return and the importance of investing consistently.

Minggu Saham Amanah Malaysia

Minggu Saham Amanah Malaysia (MSAM) or the Malaysia Unit Trust Week is held annually from 20 April each year. Since the inaugural event in 2000, 19 exhibitions have been organised nationwide moving to all state capitals, and latterly to secondary towns. Supported by state governments, government agencies and corporates, visitors and PNB's unit holders are able to understand and learn how their money is invested and also take part in various family-friendly activities throughout the week.

The most recent exhibition was held in Batu Pahat, Johor and received a total of 200,168 visitors or an average of 28,595 visitors per day. Uniquely for this installation, a mobile app was developed to engage digitally with participants during the event. This app, which was originally one of the winning ideas from the PNB Group Innovation Challenge 2017, allowed participants to obtain more information about MSAM 2018 programmes and activities. Participants also learnt how to use our myASNB.com portal and our agents' portals to perform online transactions involving PNB's unit trust funds.

- + MSAM 2018, Batu Pahat

200,168

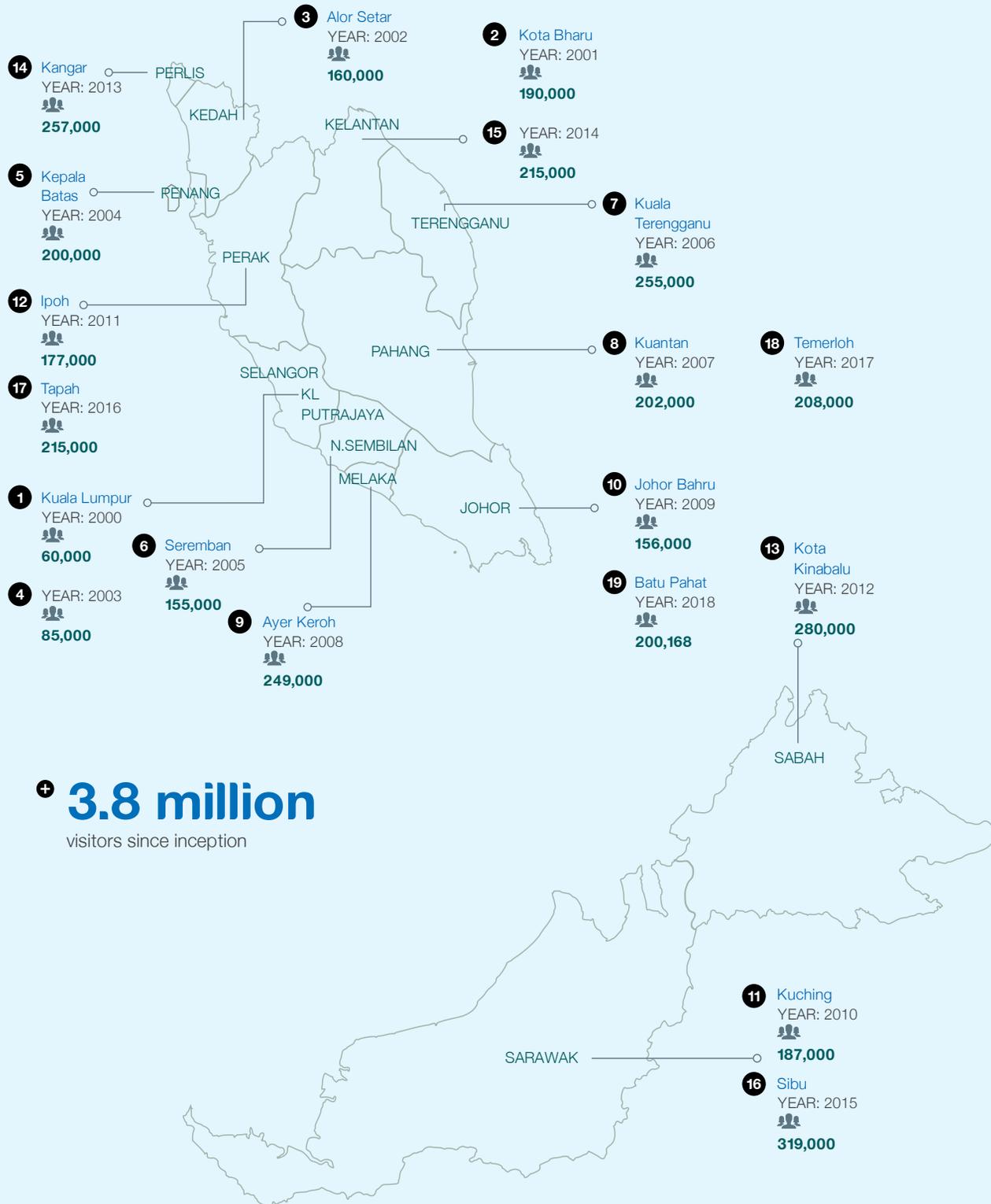
Number of visitors

- + Investee Companies' Involvement:

Approximately 50 companies/ organisations/ agencies



MSAM: Location and Number of Visitors since 2000



+ 3.8 million
visitors since inception



Seminar Pelaburan 360 Hari

Qualified financial planners from ASNB conduct seminars every day in different locations nationwide. The programme teaches financial planning concepts to all segments of society. Participants also learn the basic tenets of investing successfully and garner a better understanding of the current investment landscape.



Kelab Pelaburan Bijak

Aiming to uplift the level of financial literacy among youth, PNB's Kelab Pelaburan Bijak is specifically targeted at secondary school students. As at 2018, a total of 155 secondary schools were hosting these clubs.



Kuiz Pelaburan PNB

PNB also organises Kuiz Pelaburan PNB, a nationwide quiz competition involving participants from four main categories, testing them on key concepts related to investing, financial planning, unit trusts, and risk and return.

In 2018, a total of 879 secondary schools, 30 universities, 27 teacher training institutions and 14 unformed bodies participated in this programme.



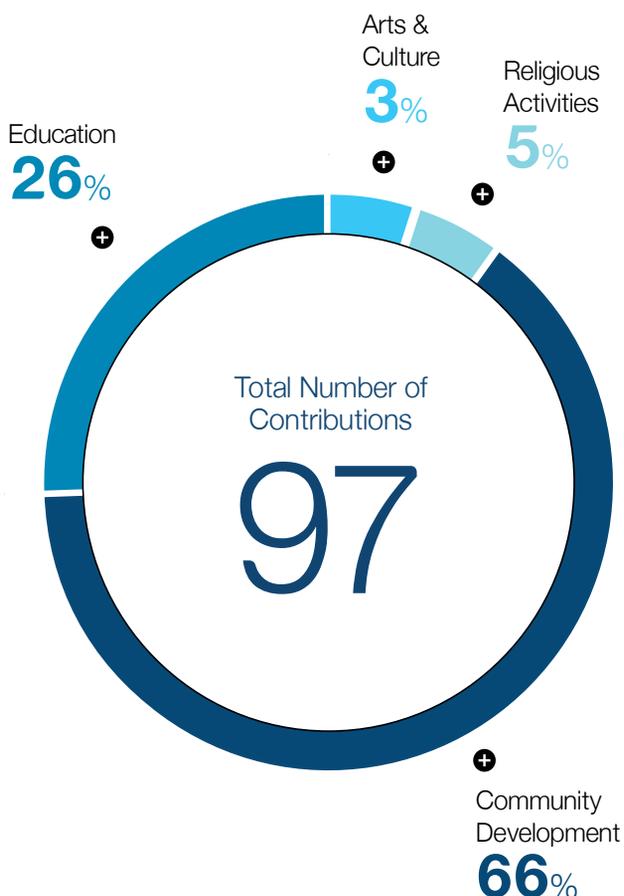


Pillar 3:

Community Upliftment

PNB seeks to create value for society at large by contributing to wider nation-building efforts and the development of a holistically robust society. To this end, our philanthropic efforts are channeled to areas of need where we can achieve positive impact. These also complement our education and financial literacy initiatives in meeting a range of diverse socio-economic challenges faced by the Malaysian public. In 2018, our CSR activities under this Pillar covered the areas of community development, education, arts and culture, and religious activities.

Contributions for Community Upliftment Activities in 2018



Some of the notable contributions in these activities include:

Community Development

- Skim Perumahan Teratak Semai.** A project funded by PNB to fulfill the basic needs of Orang Asli Semai in Tapah, Perak, by building 10 units of traditional houses. The project was initiated by a team of experts and students from the Faculty of Design & Architecture, Universiti Putra Malaysia.



Medical and Healthcare

- The launch of IJN-PNB Imaging Centre.** PNB Group Chairman, Tan Sri Dr. Zeti Aziz together with the Deputy Minister of Health, Dr. Lee Boon Chye successfully launched the Imaging Centre at the National Heart Institute in Kuala Lumpur. The endeavour followed a RM30 million contribution by PNB in 2017. The contribution was channelled towards purchasing new equipment and the renovation, refurbishment, and maintenance of the new IJN -PNB Imaging Centre at the existing Radiology Department.



- Haemodialysis Centre, Hospital Sultanah Nora Ismail, Batu Pahat, Johor.** During the launch of MSAM in Batu Pahat, Johor, RM700,000 was donated to the Haemodialysis Centre in Hospital Sultanah Nora Ismail, Batu Pahat, Johor for the upgrading of its facilities and the purchase of new equipment.



- Hearing and Screening System, Jabatan Kesihatan Negeri Kelantan.** PNB presented five units of Distortion Product Otoacoustic Emission (DPOAE) hearing aids worth RM100,000 to Raja Perempuan Zainab II Hospital in Kota Bharu, Kelantan. The contribution was towards enhancing the health of babies with hearing impairment.



- Gastroenterology & Hepatology Unit, UiTM Medical Specialist Centre.** PNB channelled RM3 million worth of medical equipments to the Gastroenterology & Hepatology Unit, UiTM Medical Specialist Centre in Sungai Buloh, Selangor in support of awareness-raising for Malaysians to get proper cancer screening.

Arts & Culture

- PNB contributed to CENDANA's (Cultural Economy Development Agency) initiative "Art in the City"; an outdoor art display initiative aimed at raising greater awareness on the Malaysian arts and culture landscape. Seen on PNB's building facades are artwork by Kok Yew Puah (top left), Mohd Hoessein Enas (top right) and Syamsul Addenno (bottom).





Pillar 4: Knowledge Sharing Initiatives

Our Knowledge Sharing Initiatives comprise a variety of knowledge-based events, publications and other programmes. These enable subject matter experts, our stakeholders and members of the public to exchange ideas and actively engage in dialogue on a range of strategic topics of particular relevance to PNB.

PNB CEO Roundtable 2018

The PNB CEO Roundtable 2018 gathered 80 participants ranging from the C-Suite of Corporate Malaysia to various industries and leadership experts. Samuel M. Lam, President and Managing Consultant of Linkage Asia delivered a talk entitled “Research on Purposeful Leadership”, followed by a panel discussion entitled “PNB Leadership Reality” which discussed, among others, the qualities of exceptional leaders, the importance of investing in talent for sustained growth and how to effectively manage diversity in the workforce.



Yayasan Tun Ismail Mohamed Ali

Yayasan Tun Ismail Mohamed Ali (YTI) is a foundation established in 1999 to honour the late Tun Ismail Mohamed Ali's dedication as the first Chairman of PNB, and for his numerous contributions to the nation.

YTI receives and administers funds for educational purposes by awarding scholarships to the country's brightest young minds to study at the world's most prestigious universities. Additionally, YTI has established Professorial Chairs at local universities, financed educational activities such as grants to spearhead academic research in selected areas and for charitable purposes, as well as organised knowledge-sharing activities for the public through YTI lectures and publication of books under its Professorial Chairs.

YTI Activities since Inception and 2018 Activities at a Glance

YTI PROFESSORIAL CHAIRS

Since Inception

12 Chairholders:

At **4** Local Universities in Malaysia

2018

2 Chairholders:

At **2** Local Universities in Malaysia

Universiti Malaya
(Corporate Law, Securities & Finance)



Prof Dr. John H. Farrar (2007)



Prof. Tuan Razeen Sappideen (2011 - 2013)

Universiti Kebangsaan Malaysia
(Finance & Investment)



Prof Dr. Abdul Mansur Mohammed Masih (2004)



Prof Dr. S. Ghon Rhee (2005)



Prof. Dr. Erik S. Reinert (2013)



Prof Dr. Ben Jacobson (2015)

Universiti Sains Islam Malaysia
(Islamic Finance & Banking)



Datuk Dr. Mohd Daud Bakar (2017 - 2018)



Dr. Zamir Iqbal (2012 - 2013)



Prof Dr. Mohamed Obaidullah (2015)

Universiti Tun Abdul Razak (UNIRAZAK)
(Leadership)



Prof Catarina Tully (2018)



Prof. Dr. Erik van de Loo (2013 - 2015)



Prof. Dr. Nicholas H. Barker (2016 - 2017)

KNOWLEDGE & EXPERTISE

Since Inception

12 Books Published by the YTI Chairholders

2018

2 Books Published by the YTI Chairholders



Board Leadership and Integrity (2013)
- Prof. Dr. Erik van de Loo (UNIRAZAK)



Critical Readings in Islamic Social Finance (2016)
- Prof. Dr. Mohamed Obaidullah & Dr. Nurul Aini Muhamed (USIM)



The Shaking Foundation of Finance (2015)
- Prof. Dr. Ben Jacobson (UKM)



Corporate Governance and Boards (2015)
- Prof. Dr. Erik van de Loo (UNIRAZAK)



Critical Success and Failure Factors in the Islamic Financial Industry in the 21st Century (2017)
- Datuk Dr. Mohd Daud Bakar (USIM)



Managing Philanthropy for Social Security and Economy Empowerment (2015)
- Prof. Dr. Mohamed Obaidullah (USIM)



Extending the Boundaries in Islamic Finance (2018)
- Datuk Dr. Mohd Daud Bakar (USIM)



Mainstreaming Islamic Finance: Unveiling Critical Success & Failure Factors - An Insider and Global Perspective (2018)
- Datuk Dr. Mohd Daud Bakar (USIM)

PNB Corporate Biography

In celebration of PNB's 40th anniversary, the first full-length study and corporate biography of PNB entitled "In Trust: A History of PNB" was launched by the Group Chairman of PNB, Tan Sri Dr. Zeti Aziz on 26 November 2018, along with Tun Ahmad Sarji Abdul Hamid, the former Chairman of PNB from 1996 to 2016 who is also the adviser for the book, and Dato' Abdul Rahman Ahmad, President & Group Chief Executive of PNB.

The book was written by Nicholas J. White, Professor of Imperial & Commonwealth History at Liverpool John Moores University, who was especially selected by Tun Ahmad Sarji, based on his knowledge and expertise on Malaysia's economic and business history in the late-colonial and post-colonial periods. Working in close collaboration with the PNB Research Institute, the biography documents the birth of PNB and depicts how trust forms the strength of PNB - trust from the Government, trust from the unit holders and the tenets of integrity and good governance upheld by all at PNB, since PNB's inception in 1978.

Two book reading sessions with the author were also organised - the first of which was held especially for PNB staff and the second session was organised for the students and academic staff of UNIRAZAK. In PNB's effort to encourage the general public to learn more about how and why PNB came to be and fully understand its mandate, complimentary copies have been provided to selected universities/academia and also to the National Library, Arkib Negara and selected public institutions.



Uplifting the Bumiputera Community

Our commitment to the social development of the Bumiputera community stems from our belief that the upliftment of the Bumiputeras goes beyond wealth creation alone. PNB strives to provide deserving Bumiputeras with access to opportunities and growth through its various initiatives be it in human capital development, education, vendor development or community upliftment.

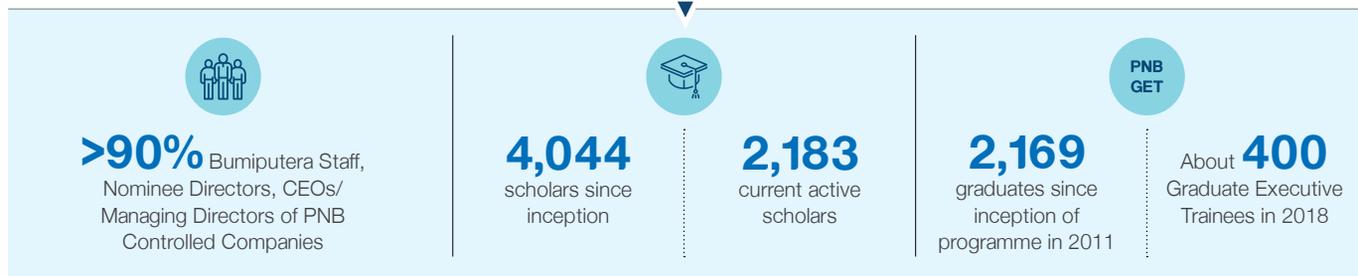
Wealth



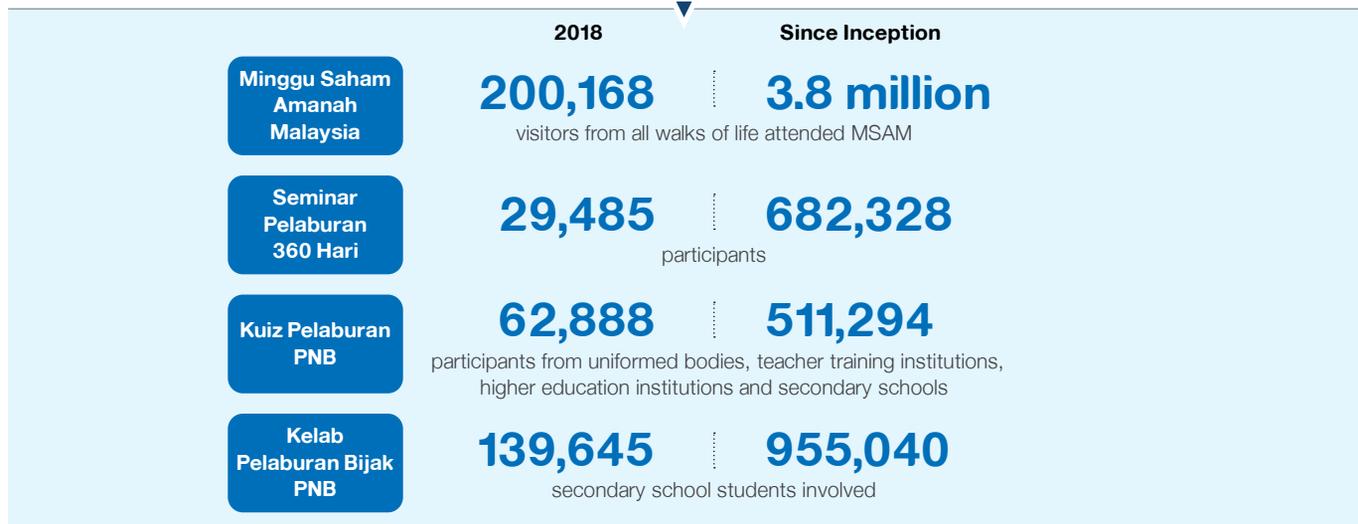
Entrepreneurship



Human Capital



Community







“

One must not lose the substance of good governance. It should not result as a checklist approach, rather than absorbing and applying the true meaning of good corporate governance which is all about maximising long-term shareholders' value.”

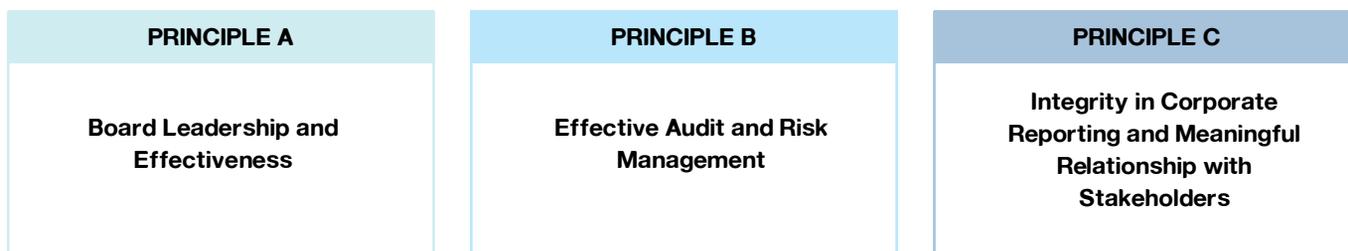
Tun Ahmad Sarji Abdul Hamid

Former Chairman of PNB
In Trust: A History of PNB

Statement on Corporate Governance

Introduction

PNB believes that a culture of transparency, accountability and integrity is paramount to ensuring its commitment towards becoming a Distinctive World Class Investment House. The present challenging volatile market conditions have made it more vital for PNB to ensure conformance to the highest standard of Corporate Governance, which depends on its internal policies and processes. With that in mind, although PNB is not a public listed company, PNB nonetheless endeavours to achieve the intended outcomes of the three key principles of good corporate governance which form the foundation of the Malaysian Code on Corporate Governance:



The Board's Principal Responsibilities

The sustainability and growth of PNB will always depend on the proper execution of the fundamental roles of the Board of Directors (Board), which include to:

- set and monitor the Group's strategic business objectives;
- review policies and procedures to ensure that its corporate conduct is in line with the principles of integrity and accountability;
- review the adequacy of the Group's system of internal control, management information system and compliance with applicable laws;
- monitor the performance of the management and review succession planning; and
- assess the implementation of the risk management system.

Board of Directors

A healthy Board culture which promotes and upholds good governance practices will ensure that the stakeholders' interests and the mandate from the Government are protected. It is important for the Board to have a clear understanding of their roles and responsibilities. The Group Chairman is responsible for instilling good governance practices, leadership and effectiveness of the Board. The respective responsibilities of the Group Chairman and the President & Group Chief Executive (PGCE) as well as the Board, its Committees and management, are clearly demarcated in the Board Charter.

Currently, the Board consists of eight members, comprising one Non-Independent Non-Executive Director, one Non-Independent Executive Director, and six Independent Non-Executive Directors. The tenure of an Independent Director on the Board will not exceed a cumulative term limit of nine years.

Board of Directors Meetings (Frequency of Meetings)

The Board convenes at least four meetings annually, with additional special meetings being conducted should circumstances warrant such meetings be held, to approve corporate proposals, strategic business plans and direction, or any other matters that require the Board's decision.

Conduct of Meetings (Board Agenda)

At each meeting, the Group Chairman or the Chairman of the respective Board Committees brief and outline the agendas for the meetings. The Chairman reviews the Board and committee agendas, as required. The Directors attending the meetings are at liberty to propose items for the agenda, and each Director is free to recommend for discussion any issues related to the business of the Group or any other related matter.

Group Company Secretary

The Group Company Secretary is suitably qualified and competent to support the Board in providing sound governance advice, ensuring adherence to rules and procedures and advocating adoption of corporate governance best practices.

Distribution of Meeting Materials

Presently, the Board meetings are conducted on a paperless basis with the use of the BoardPac System. The system has enabled the Group Company Secretary to furnish the Board and Committee members with immediate access to the material of the meetings prior to each Board meeting. This paperless system enables Board meetings to be efficiently managed and for members of the Board to be instantly updated of any revision to any paper pertaining to the meeting. Members of the Board receive complete and accurate meeting materials within a reasonable time (five calendar days) prior to the meeting.

Access to Advice

The Board and its Committees have direct access to the officers and employees of PNB and may engage independent third parties as deemed necessary, in discharging their duties and fulfilling their obligations, at the expense of the Group.

Conflict of Interest

The Board and its Committees have no conflict of interest with PNB and have not been convicted for any offences other than traffic offences within the past 10 years.

Appointment (Selection of Directors)

The Nomination & Remuneration Committee is responsible for the nomination of candidates for directorships. The selection of individuals with the required mix of skills and experience is paramount in order for the Board to be able to provide clear and effective leadership whilst inculcating healthy governance practices. Potential candidates are selected from diversified backgrounds in order to ensure only those with the right mix of capabilities, expertise and experience are chosen. The composition of the Board is also reviewed regularly to ensure effective contribution to the Board's deliberation.

Board Committees

The Board has established several committees to assist the Board in dealing with specific functions or areas in a more efficient manner. There are nine committees under the purview of the Board, as follows:

1. **Nomination & Remuneration Committee**
2. **Investment Committee**
3. **Audit Committee**
4. **Risk Management Committee**
5. **Compliance Committee**
6. **Tender Committee**
7. **Property Investment Committee**
8. **Appeal Committee**
9. **Shariah Advisory Committee**

These committees have separate and defined written terms of reference, detailing the scope of their authority and responsibilities, which have been approved by the Board. The Chairs report on the items discussed and actions taken at their meetings to the Board following each meeting. Each committee will review its own terms of reference and works with the Board to make necessary adjustments, as required. The Board may, from time to time, establish and maintain additional committees as required.

Board Attendance

Particulars of the Board Meetings held in FY2018 are set forth below:

Date	Total Board Members	Attendance by Board Members
1 Mar 2018	9	8/9
13 Mar 2018	9	8/9
17 May 2018	9	7/9
25 June 2018	8	6/8
29 June 2018	8	7/8
16 Aug 2018	7	7/7
21 Nov 2018	7	6/7
6 Dec 2018	7	6/7

Details of Attendance

A record of the Directors' attendance at the meetings of the Board during the financial year is set out below:

Members of the Board	Status	Attendance
Tan Sri Abdul Wahid bin Omar <i>(Retired on 30 June 2018)</i>	Group Chairman/Non-Independent Non-Executive	5/5
Tan Sri Dr. Zeti Akhtar binti Aziz <i>(Appointed on 1 July 2018)</i>	Group Chairman/Non-Independent Non-Executive	3/3
Dato' Abdul Rahman bin Ahmad	President & Group Chief Executive/ Non-Independent Executive	8/8
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	Independent Non-Executive	6/8
Tan Sri Dr. Ali bin Hamsa	Independent Non-Executive	6/8
Tan Sri Dr. Mohd. Irwan Serigar bin Abdullah <i>(Retired on 23 May 2018)</i>	Independent Non-Executive	-
Tan Sri Zarinah Sameehah binti Anwar	Independent Non-Executive	8/8
Datuk Dr. Awang Adek bin Hussin <i>(Retired on 30 June 2018)</i>	Independent Non-Executive	3/4
Datuk Dr. Mohd. Yaakub bin Haji Johari	Independent Non-Executive	8/8
Datu Haji Soedirman bin Haji Aini	Independent Non-Executive	8/8

Note: Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah, Tan Sri Dr. Ali bin Hamsa and Tan Sri Zarinah Sameehah binti Anwar subsequently retired on 31 December 2018. Effective 1 January 2019, the composition of the Board of Directors of PNB is as follows:

Members of the Board	Status
Tan Sri Dr. Zeti Akhtar binti Aziz	Group Chairman/Non-Independent Non-Executive
Dato' Abdul Rahman bin Ahmad	President & Group Chief Executive/Non-Independent Executive
Datuk Ahmad Badri bin Mohd. Zahir	Independent Non-Executive
Tan Sri Datuk Zainun binti Ali	Independent Non-Executive
Datuk Dr. Mohd. Yaakub bin Haji Johari	Independent Non-Executive
Datu Haji Soedirman bin Haji Aini	Independent Non-Executive
Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive
Dato' Johan bin Ariffin	Independent Non-Executive

The key functions of each committee as well as the membership and attendance at meetings during FY2018 are set out below:

Nomination & Remuneration Committee

The Nomination & Remuneration Committee identifies and recommends suitable candidates for appointment to the Board of Directors and Operating Subsidiary Companies, as well as Strategic, Core, Controlled and Minority Investee Companies. This Committee also identifies and recommends suitable candidates for appointment as Presidents/Managing Directors/Chief Executive Officers of PNB, Operating Subsidiary Companies, Strategic and Controlled Investee Companies, as well as key management of PNB. In selecting candidates, the Committee follows an established policy and process whereby it considers, among others, the integrity, skills, knowledge and experience of the candidate.

In addition, the Committee also assists the Board to ensure the remuneration of Directors and management of PNB and its Operating Subsidiary Companies is fair and competitive whilst giving due regard to the interests of all stakeholders, as well as ensure that the necessary policies on appointment and remuneration for the Directors and staff of PNB and its Operating Subsidiary Companies are in place.

Members	Status	Attendance
Tan Sri Abdul Wahid bin Omar (Chairman) <i>(Retired on 30 June 2018)</i>	Group Chairman/Non-Independent Non-Executive	4/4
Tan Sri Dr. Zeti Akhtar binti Aziz (Chairman) <i>(Appointed on 1 July 2018)</i>	Group Chairman/Non-Independent Non-Executive	2/2
Datuk Dr. Awang Adek bin Hussin <i>(Retired on 30 June 2018)</i>	Independent Non-Executive	3/4
Datuk Dr. Mohd Yaakub bin Johari	Independent Non-Executive	6/6
Datu Haji Soedirman bin Haji Aini	Independent Non-Executive	6/6

Note: The composition of the Nomination & Remuneration Committee is presently as follows:

Members	Status
Tan Sri Dr. Zeti Akhtar binti Aziz (Chairman)	Group Chairman/Non-Independent Non-Executive
Datuk Ahmad Badri bin Mohd. Zahir	Independent Non-Executive
Datuk Dr. Mohd Yaakub bin Johari	Independent Non-Executive
Datu Haji Soedirman bin Haji Aini	Independent Non-Executive

Investment Committee

This Committee assists the Board to formulate plans and strategies and to approve the selection of investments for the investment portfolio of PNB and its unit trust funds, subject to the limits of authority given by the Board. The Committee also considers any proposal for mergers and acquisitions.

Members	Status	Attendance
Tan Sri Abdul Wahid bin Omar (Chairman) <i>(Retired on 30 June 2018)</i>	Group Chairman/Non-Independent Non-Executive	6/6
Tan Sri Dr. Zeti Akhtar binti Aziz (Chairman) <i>(Appointed on 1 July 2018)</i>	Group Chairman/Non-Independent Non-Executive	6/6
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive	12/12
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	Independent Non-Executive	10/12
Professor Tan Sri Dato' Seri Dr. Noor Azlan bin Ghazali	Independent Non-Executive	12/12
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive	12/12
Datuk Dr. Mohd Daud bin Bakar	Independent Non-Executive	12/12

Note: With the retirement of Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Professor Tan Sri Dato' Seri Dr. Noor Azlan bin Ghazali on 31 December 2018, the composition of the Investment Committee is as follows:

Members	Status
Tan Sri Dr. Zeti Akhtar binti Aziz (Chairman)	Group Chairman/Non-Independent Non-Executive
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive
Datuk Dr. Mohd Daud bin Bakar	Independent Non-Executive
Dato' Johan bin Ariffin	Independent Non-Executive

Audit Committee

The main function of the Committee is to review the quality and effectiveness of the entire accounting and internal control system. The Committee will review the adequacy and integrity of the audit exercise undertaken by both external auditors and internal auditors for every financial year. The accounting policies to be adopted by the management and accepted by external auditors will be reviewed periodically to ensure conformance to the applicable Accounting Standards. Further details on the composition and activities of the Audit Committee are set out in the Audit Committee Report on pages 119 to 120 of this Annual Report.

Risk Management Committee

This Committee reviews and recommends to the Board the risk management philosophies, policies and mitigation strategies as proposed by the management to manage the principal risks of the PNB Group and to oversee and approve the development and maintenance of the integrated risk management framework of the PNB Group. Further details on the composition of the Risk Management Committee are set out in the Statement of Risk Management and Internal Control on pages 106 to 114 of this Annual Report.

Compliance Committee

This Committee was set up to determine, approve, review and monitor the Compliance Work Plan of the Compliance Department. The Committee convenes quarterly to evaluate and review the findings of the compliance report and to make recommendations in respect thereof. The structure of the overall compliance function of the PNB Group will be reviewed as and when it is deemed necessary. Further details of the composition of the Compliance Committee and PNB's Compliance Programme are set out in the Statement on Corporate Compliance on pages 115 to 118 of this Annual Report.

Tender Committee

The Tender Committee assists the Board to consider tenders and quotations for all assets, supplies and services for the PNB Group valued above RM2 million.

Members	Status	Attendance
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah (Chairman)	Independent Non-Executive	3/4
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive	4/4
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive	4/4

Note: With the retirement of Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah on 31 December 2018, the composition of the Tender Committee is as follows:

Members	Status
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (Chairman)	Independent Non-Executive
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive
Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive

Property Investment Committee

The main objective of this Committee is to implement certain duties and responsibilities delegated by the Board pertaining to property-related investment activities and to act as the monitoring body for the Board to ensure that investments are undertaken in accordance with the investment mandate and in line with all relevant rules, laws and regulations.

Members	Status	Attendance
Tan Sri Abdul Wahid bin Omar (Chairman) <i>(Retired on 30 June 2018)</i>	Non-Independent Non-Executive	-
Tan Sri Dr. Zeti Akhtar binti Aziz (Chairman) <i>(Appointed on 1 July 2018)</i>	Non-Independent Non-Executive	4/4
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive	4/4
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	Independent Non-Executive	4/4
Professor Tan Sri Dato' Seri Dr. Noor Azlan bin Ghazali	Independent Non-Executive	4/4
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive	4/4
Datuk Dr. Mohd Daud bin Bakar	Independent Non-Executive	4/4

Note: With the retirement of Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Professor Tan Sri Dato' Seri Dr. Noor Azlan bin Ghazali on 31 December 2018, the composition of the Property Investment Committee is as follows:

Members	Status
Tan Sri Dr. Zeti Akhtar binti Aziz (Chairman)	Group Chairman/Non-Independent Non-Executive
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive
Datuk Dr. Mohd Daud bin Bakar	Independent Non-Executive
Dato' Johan bin Ariffin	Independent Non-Executive

Appeal Committee

The Appeal Committee's function is to hear appeals of staff who are found guilty of misconduct and to determine whether sentences meted out by the Disciplinary Committee commensurate with the respective misdeeds. The Committee also considers appeals from staff pertaining to the determination of their salaries and promotions. No meetings of the Committee were held in FY2018.

Members	Status
Tan Sri Zarinah Sameehah binti Anwar (Chairman)	Independent Non-Executive
Datuk Dr. Awang Adek bin Hussin (Retired on 30 June 2018)	Independent Non-Executive
Datuk Dr. Mohd Yaakub bin Johari	Independent Non-Executive
Datu Haji Soedirman bin Haji Aini	Independent Non-Executive

Note: With the retirement of Tan Sri Zarinah Sameehah binti Anwar on 31 December 2018 and Datuk Dr. Awang Adek bin Hussin on 30 June 2018, the composition of the Appeal Committee is as follows:

Members	Status
Tan Sri Datuk Zainun binti Ali (Chairman)	Independent Non-Executive
Datuk Ahmad Badri bin Mohd. Zahir	Independent Non-Executive
Datuk Dr. Mohd Yaakub bin Johari	Independent Non-Executive
Datu Haji Soedirman bin Haji Aini	Non-Independent Executive

Shariah Advisory Committee

This Committee was set up in order to give advice as well as opinions and guidance on matters pertaining to Shariah compliance issues for the investments made by PNB, and to assist PNB to comply with Shariah principles at all times.

Members	Status	Attendance
Datuk Dr. Mohd Daud bin Bakar (Chairman)	Independent Non-Executive	5/5
Tan Sri Dato' Seri (Dr.) Haji Harussani bin Haji Zakaria	Independent Non-Executive	3/5
Dato' Haji Mohamad Shukri bin Mohamad	Independent Non-Executive	5/5
Dato' As-Sheikh Haji Nooh bin Gadot	Independent Non-Executive	3/5
Professor Dato' Dr. Mahmood Zuhdi bin Abdul Majid	Independent Non-Executive	4/5
Dr. Aida binti Othman	Independent Non-Executive	4/5

Communication with Stakeholders

The Board recognises the importance of ensuring that its stakeholders are well informed and updated on the Group's developments. PNB discloses quarterly updates on its investment activities, including its overall asset allocation, assets under management, consolidated coterminous proforma income and developments pertaining to the execution of its Strategic Plan. Through its official website at www.pnb.com.my, members of the public may also access up-to-date information on PNB.

Risk Management and Internal Control

The Board maintains a reliable system of risk management and internal control to safeguard the interest of PNB and unit holders. The Statement on Risk Management and Internal Control is set out on pages 106 to 114 of this Annual Report.

Whistleblowing and Chinese Wall Policy

In line with the Whistleblower Protection Act 2010, and good corporate governance practices, PNB encourages all concerned parties to highlight any concerns of improper conduct without fear of detrimental action, victimisation or discriminatory treatment. PNB's Whistleblowing Policy is intended to facilitate disclosures of improper conduct relating to wrongdoings, malpractices, misdemeanours, illicit dealings, offensive behaviour, indiscipline, any violation of established practices or procedures or any action harmful to the reputation and interest of PNB, to promote a greater level of transparency and accountability.

The Chinese Wall Policy is intended inter alia to shield and protect the Group against committing an insider trading offence. It is therefore imperative that secrecy arrangements be implemented through the Chinese Wall. Directors, Investment Committee Members and all staff of the PNB Group are required to sign a Declaration of Interest with respect to acquisition/purchase/sale of securities of companies in a prescribed Declaration of Interest form.

Training and Development of Directors

The Board acknowledges the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet specific industry challenges, and therefore continually assesses the training needs of each Director. During the financial year, all the Board members had attended various training programmes and workshops on current issues relevant to PNB, as well as to update themselves on new legal and regulatory developments.

Training programmes, conferences and forums attended by the Directors for FY2018 were as follows:

Category	Training
Leadership	• YTI Memorial Lecture "Redefining Financial Integrity" & PNB Book Launch "In Trust: A History of PNB"
	• PNB Asset Management & Strategic Investments Joint Off-site
	• PNB CEO Roundtable on Leadership
	• Rediscovering Our Roots, Mapping Our Future
	• ICDM Power Talk I: Effective Boards in a VUCA (Volatility, Uncertainty, Complexity, Ambiguity) World
	• 2018 OECD-ASIAN Roundtable on Corporate Governance
	• ICDM Power Talk II: Would a Business Judgement Rule Help Directors Sleep Better at Night?
Legal and Compliance	• AMLATFPUAA 2001: The Law, Compliance & Case Studies for Senior Management
	• AMLATFPUAA 2001: Risk, Challenges and Vulnerabilities Towards Risk-based Approach
	• Seminar on the New Companies Act 2016 - Key Issues and Potential Pitfalls for Directors
	• Preparation for Corporate Liability for Corruption: How Ready is Your Company to Safeguard Your Directors, Top Management and Personnel Against a Corruption Prosecution?
Accounting	• MIA International Accounts Conference 2018
	• Master Class: The Future of Corporate Reporting - Telling Your Story
Capital Markets	• World Capital Markets Symposium 2018: Renaissance of Capitalism: Markets for Growth
	• 9 th SC-OCIS Roundtable: Enhancing the Value of Capital Market Through Social and Impact Investment ScxSc Fintech Conference 2018
Corporate Finance	• Corporate Exercises and Asset Pricing in Malaysia (Re-negotiation and Re-contracting)
	• IMD Seminar: Value Creation and Business Partnering
Technology	• PNB Cyber & Information Security Awareness Seminar for Senior Management
	• Petronas Board Excellence: Roundtable Programme on Cybersecurity and Sustainability
	• IMD Seminar: The Future of Fintech/Digital Disruption
	• International ICT Infrastructure and Digital Economy Conference Sarawak 2018 (IDECS 2018)
Real Estate	• Seminar on Latest Amendments on Strata Titles and Strata Management Act
	• Investing in Integrated Strata Developments Briefing - Understanding Owner's Rights and Obligations under the Strata Titles Act 1985 and Strata Management Act 2013

Statement on Risk Management & Internal Control

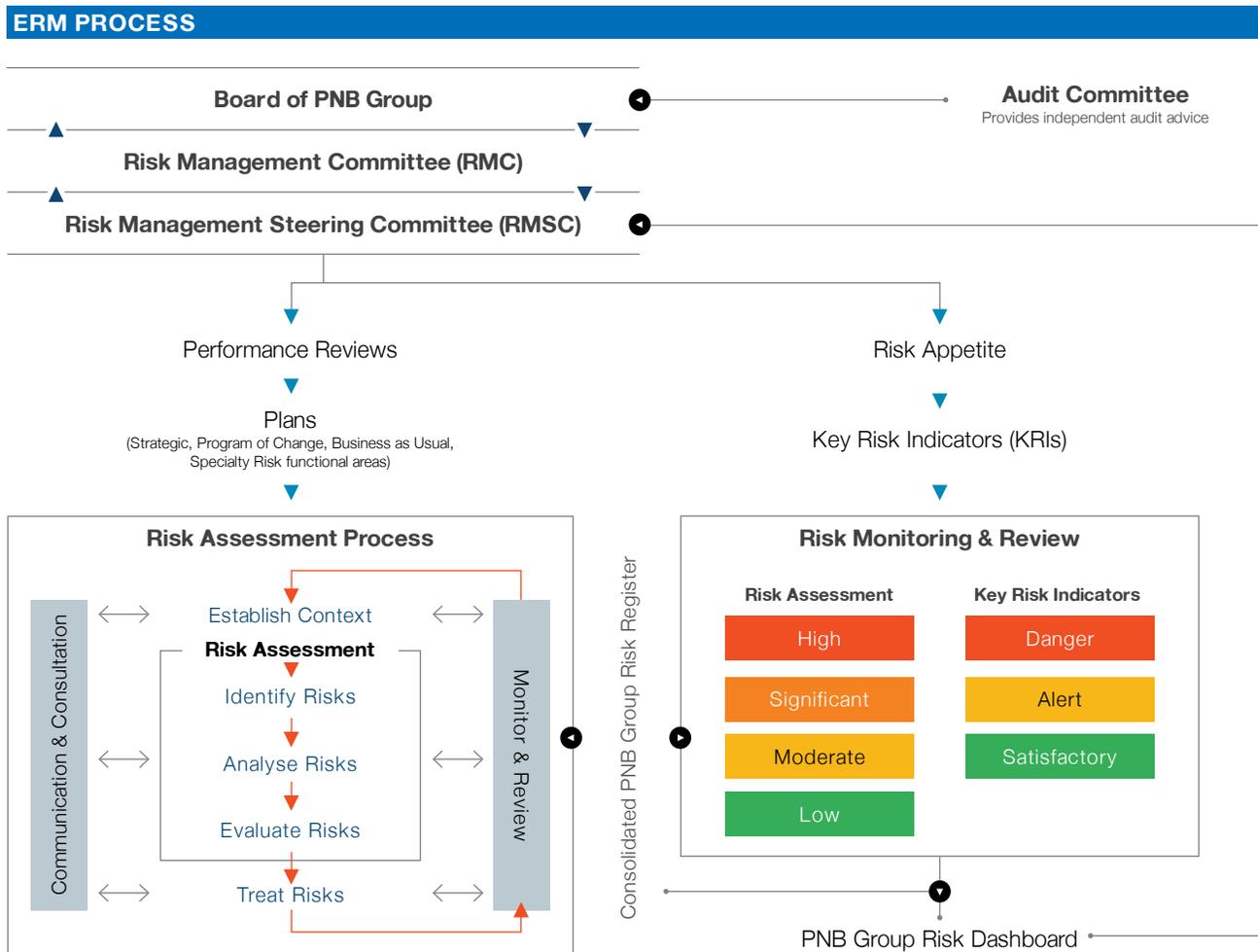
Recognising the significance of achieving good regulatory governance, management and operations, PNB affirms its full commitment to ensure a solid risk management and internal control system is put in place. The establishment of this system ultimately aids in creating, enhancing and protecting value; whilst adhering to our company's policies and achieving our goals and objectives within the constituted risk appetite.

The internal control system in PNB covers Risk Management, Compliance, and Financial and Management Audit. The system integrates effective processes with performance-focused risk management and internal control; including reviews on the adequacy and effectiveness of the system at every level of the management and across each business unit.

The nature and scope of PNB's system of risk management and internal control for 2018 are outlined below.

Risk Management

1.0 Overview



Risk management is an integral part of PNB's business model and we are committed to implementing a sound risk management system via an Enterprise Risk Management (ERM) framework. The framework provides a strong control environment through the implementation of appropriate systems and risk assessment processes to manage risks. The key elements of an effective ERM process are as follows:

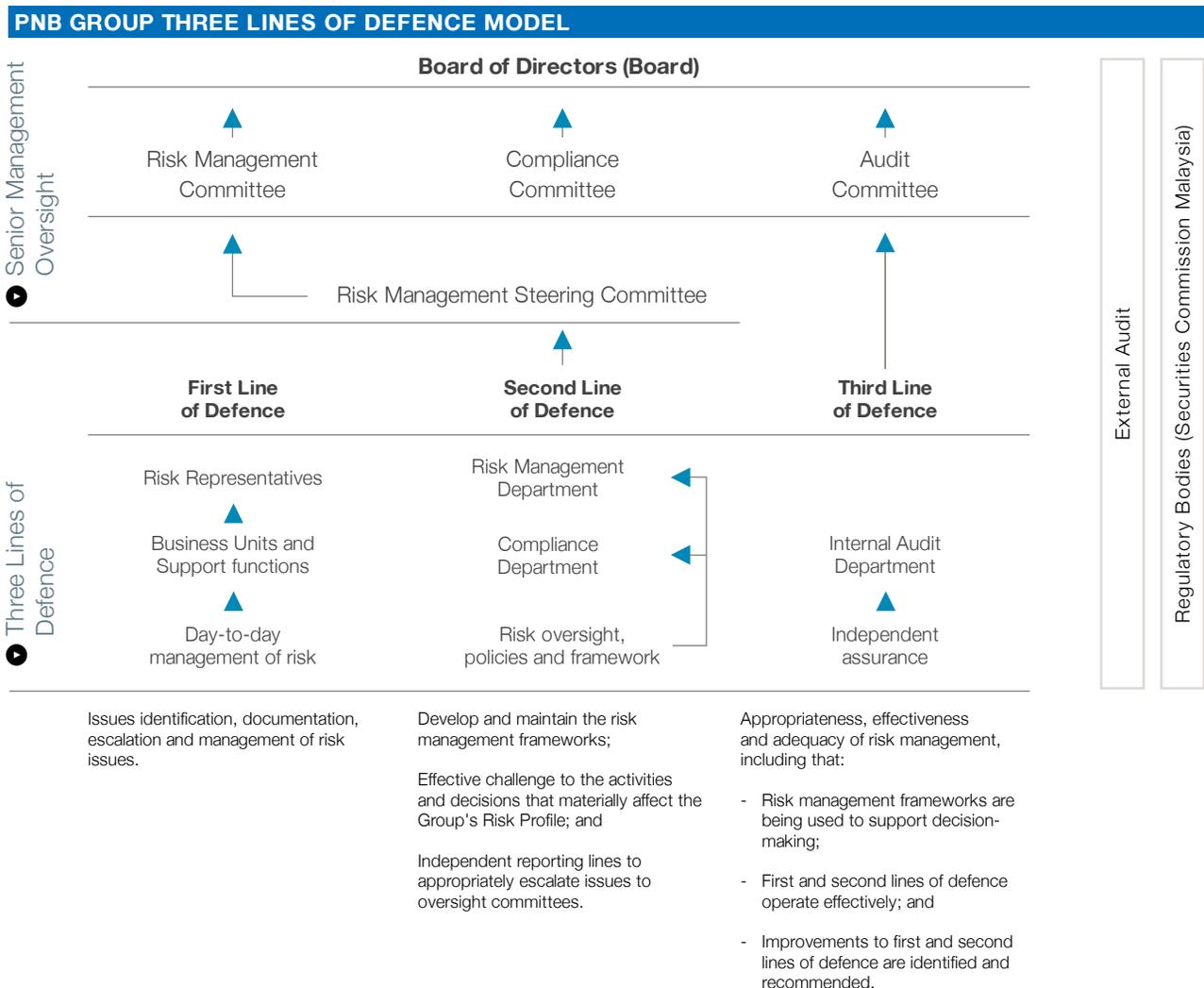
- Risk Assessment Process: The overall process of risk identification, risk analysis and risk evaluation that is documented in the Risk Register.
- Risk Monitoring and Review: The Risk Register and Key Risk Indicators (KRIs) are used by the management as a tool to monitor and manage changes in risk exposures over time.

The independence of the risk management function and close alignment to the business ensure consistent and effective risk oversight. We aspire to:

- Implement a holistic risk management process which provides a framework for building organisational resilience in ensuring critical business functions are able to continue operating during disruptions;
- Develop and maintain an incident management plan with a high degree of readiness to safeguard against financial and physical disruptions; and
- Develop and maintain a proactive risk culture embedded within the Group, with the right skill sets and competencies.

2.0 Risk Governance Structure

The risk governance structure of PNB follows the **Three Lines of Defence Model**.



2.1 Senior Management Oversight

2.1.1. Board of Directors

The Board is responsible for setting the objectives and policies on risk management and sets the tone from the top to foster a sound risk management environment and a risk management function that is influential and respected. The Board will ensure that the system of risk management within the Group is adequately robust to respond to changes in the business environment.

The Board has delegated its responsibilities to the Risk Management Committee (RMC), which is assisted by the Risk Management Steering Committee (RMSC). Notwithstanding this, the Board recognises its overall responsibility for the establishment and oversight of PNB's ERM framework.

2.1.2. Risk Management Committee

The RMC is responsible to assist the Board by overseeing and approving the ongoing development and maintenance of all risk management frameworks and activities. The RMC is delegated with the responsibility to assess, identify, measure and monitor the overall risk exposure of the Group and ensure that a sufficient level of risk mitigation is in place.

Composition and Attendance

The RMC shall comprise a maximum number of five and a minimum number of three Board members of the PNB Group, all of whom shall be Non-Executive Directors, with a minimum ratio of Independent Non-Executive Directors set at one-third of the Committee. Currently, the Committee comprises three members, all of whom are Independent Non-Executive Directors.

The Committee shall meet as often as it determines appropriate and/or as directed by the Board, but not less than four times a year, each of which shall be convened prior to any meeting of the Board. Additional meetings may be called at any time at the discretion of the Chairman of the Committee. As at December 31, 2018, a total of four meetings were held during the year under review. The composition of the RMC and the record of their attendance are as follows:

Members	Status	Attendance
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah (Chairman)	Independent Non-Executive	3/4
Tan Sri Zarinah Sameehah binti Anwar	Independent Non-Executive	4/4
Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive	4/4

Note: With the retirement of Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Tan Sri Zarinah Sameehah binti Anwar on 31 December 2018, the composition of the RMC is as follows:

Members	Status
Dato Dr. Nik Ramlah binti Nik Mahmood (Chairman)	Independent Non-Executive
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive
Datuk Mohd. Anwar bin Yahya	Independent Non-Executive

2.1.3. Risk Management Steering Committee

The RMSC is a management committee, chaired by the PGCE. The RMSC is directly responsible for endorsing, coordinating and monitoring all risk management programmes of the Group, as delegated by the RMC. The RMSC also forwards any recommendations to the Board, through the RMC, on all matters regarding the risk management activities under its purview or as directed by the Board.

3.0 PNB ERM Framework

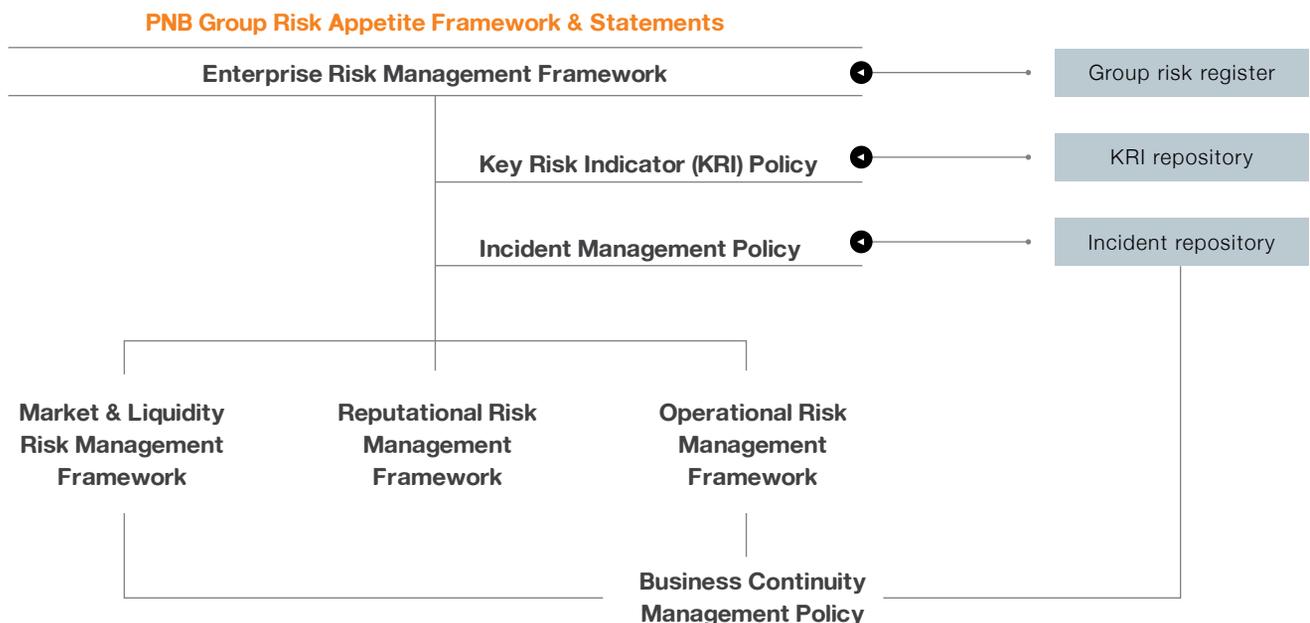
PNB embraces a strategic and consistent approach in managing risks across the Group through the ERM framework and associated activities, in line with the creation of value and the safeguarding of the Group's assets.

The ERM framework provides an approach to outline the process for identifying, assessing, monitoring and managing risks within the PNB Group. This ensures that PNB optimises its returns on risk-taking activities within the risk appetite level as approved by the Board.

The key objectives of establishing a structured and integrated ERM framework are outlined below:

- Identifying, analysing and understanding each of the material risks at all levels of the Group;
- Ensuring risks are managed in line with the Group's risk appetite;
- Embedding risk management into day-to-day decision-making;
- Ensuring appropriate strategies, policies, effective operating controls and other mitigations are in place and operating effectively; and
- Facilitating a proactive risk culture.

PNB RISK MANAGEMENT FRAMEWORK



3.1 PNB Group Risk Appetite Framework

Risk appetite is the amount of and types of risk PNB is willing to accept in pursuit of its business objectives. The framework is utilised to articulate PNB's Risk Appetite Statements (RAS) with recommended measures and methodologies. Subsequently, the RAS measures are embedded into PNB's risk management structure and integrated into PNB's business objectives and operations with the aim:

- To express the type and quantum of risk PNB is exposed to, based on its core values, strategy, risk management competencies and shareholder's expectations;
- To formulate risk-sensitive limits which cascade down to business level and risk type; and
- To set aside adequate risk buffers to support stress scenarios in line with PNB's risk appetite.

3.2. Key Risk Indicators Policy

KRIs are used by the management as a tool to monitor and manage changes in key risk exposures over time. It provides insight into business operations' risk exposure as well as operational and control weaknesses through monitoring the main drivers of exposure associated with the key risk. KRIs mainly act as early warning signals for potential risks and control issues that may arise in the current business environment.

3.3. Market & Liquidity Risk (MLR) Framework

A sound MLR framework helps PNB to hedge against the risk of losses in positions arising from movements in market price and to enhance its ability to withstand severe liquidity shocks. A robust approach towards market risk management involves ensuring that the risks are identified and assessed, and that appropriate measures are put in place to mitigate the risks and minimise losses during adverse market conditions.

Liquidity risk can be defined as the potential loss to an institution arising from either its inability to meet its obligations or to fund increases in assets. Liquidity risk is managed via both 'top-down' and 'bottom-up' approaches to actively measure and evaluate sources and application of funds with an understanding of how PNB's approach to liquidity management may affect overall risk and return.

3.4. Reputational Risk Framework

The PNB Group defines reputational risk as a "risk where the PNB Group's reputation is damaged by one or more events as reflected by negative publicity about PNB's business practices, conduct, or financial performance". This negative publicity may impair the confidence of unit holders and various other stakeholders of the Group. Key areas of reputational risk for the PNB Group are represented by Reputational Risk Drivers. Each of the drivers is assigned a weight and is tagged with a list of Reputational Risk Indicators to be monitored across different areas of businesses within the PNB Group.

3.5. Incident Management Policy (IMP)

PNB's IMP outlines the minimum requirements and the process for identifying, capturing, reporting and managing incidents within PNB. The objectives of the IMP are:

- To minimise impact, exposure to loss, and disruption caused by incidents that affect the Group; and
- To ensure that all key stakeholders are adequately informed and involved in the resolution of any such incidents.

An "incident" is defined as an operational risk or compliance event resulting from a breakdown of internal controls, people, systems, processes or external events that have the potential to cause a financial, reputational or regulatory impact on PNB. This includes near-miss events that could result in a financial loss. IMP has direct linkage to the Business Continuity Management (BCM) Plan in the event of crisis.

3.6. Operational Risk Management (ORM) Framework

The key elements of the ORM framework are as follows:

- **Operational Risk Management**

Outlines the process for identifying, assessing, monitoring and managing operational risks within PNB. Against this background, the ORM framework contributes to the management of performance outcomes and supports decision-making in the business. ORM measures the risk of loss from inadequate or failed internal processes, people and systems, or from external events. Operational losses are actual financial losses arising from operational risk.

PNB utilises ORM with the following objectives:

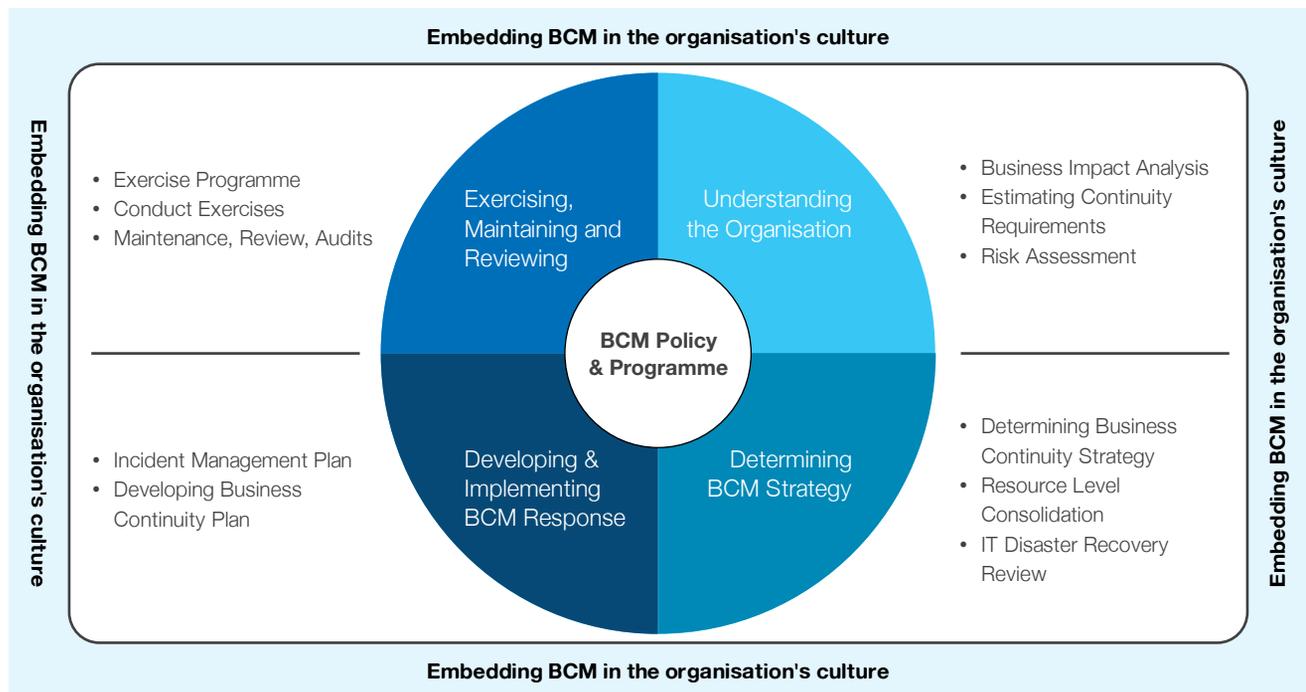
- To manage operational risks in line with the Group's risk appetite;
- To drive business improvements through effective operational risk management; and
- To identify and manage risks that may impede PNB's ability to achieve its business objectives.

- **Business Continuity Management Policy**

This policy outlines the process, minimum requirements and roles and responsibilities for BCM within the PNB Group. PNB implements its BCM Policy with the following objectives:

- To sustain organisational survival during a crisis by protecting human life and facilitating the resumption of critical business processes in a timely manner;
- To ensure key business operations are continued at an acceptable level;
- To ensure that the provisioning of key services and products continues to be maintained at an acceptable level; and
- To safeguard the reputation and image of the Group.

The BCM plan is continuously monitored, tested and communicated to all levels to ensure that the Group is prepared in the event of crisis.



4.0 Key Initiatives Implemented in FY2018

In providing continuous support towards PNB's objectives and Strategic Plan, the Risk Management Department has endeavoured to:

- Continuously build a culture of risk awareness based on established risk management expectations for the organisation through clear and effective communications and formal training. Among others, the Risk Management Department has embarked on activities such as:
 - Delivering communications from leadership using a common risk management vocabulary;
 - Clarifying risk management responsibilities and accountabilities;
 - Conducting general education on risk management, customised training programme based on employees' respective roles, as well as one-on-one engagement sessions; and
 - Embedding risk management-related content in the induction or onboarding programme for new recruitments.
- Continuously build and enhance the organisation's resilience towards potential threats by refining the existing frameworks, policies and plans to be in line with organisational business objectives, regulatory requirements and leading best practices, including the RAS, Enterprise and Departmental KRIs, ORM, and MLR Framework.
- Continuously enhance the organisation's capacity to recover from potential threats via a robust BCM Policy and its respective plans.

5.0 Moving Forward for 2019

- Strengthening the management of financial and operational risk by focusing on helping the business units reduce material risk exposures and mitigate the risk via solid Financial Risk Management (FRM) and ORM processes and enabling levers such as automated approaches. This would enable more effective monitoring and management of risks at all levels, and better decision-making in pursuit of risk-return optimisation.
- Continuously learning from and adopting the industry's leading practices, and achieving organisational sustainability by constantly assessing the level of maturity of enterprise-wide risk management practices to withstand both domestic and global challenges.

Internal Audit Function

Introduction

The internal audit function for the PNB Group is undertaken by the Financial and Management Audit Department (FMAD). Its main responsibility is to provide independent and objective assurance as well as relevant and practical consulting services. Ultimately, it aims to add value to and improve the operational efficiency of the PNB Group by ensuring proper adherence to the established procedures, internal controls and risk management framework.

FMAD is part of the Internal Assurance Division. The Head of Internal Assurance reports functionally to the Audit Committee and administratively to the PGCE. FMAD reports directly to the Audit Committee of the Board. FMAD operates independently in formulating the scope and extent of its audits, undertaking the audit work and presenting the results and findings to the Audit Committee. The members of FMAD are free from any relationships or conflicts of interest which could impair their objectivity and independence.

FMAD continuously carries out financial information, operational and information system audits on core departments related to investments, unit trust, property and the management information system, as well as other support service departments within the PNB Group.

The audit activities carried out by FMAD complement the Division's check and balance role within the organisation and provide assurance to the Board with regard to the adequacy and effectiveness of PNB's internal controls, risk management and corporate governance. Additionally, FMAD also presents to the management opportunities to review and improve the existing systems, and to assess and mitigate the relevant risks.

Scope of Work

Each year, FMAD formulates its risk-based audit plan which is aligned to the overall objective and strategy of PNB, focusing on its primary responsibilities of assurance and consulting services, with the underlying purpose of adding value and improving efficiency. The risk-based approach ensures alignment of audit activities with the key risk areas as identified pursuant to PNB's ERM framework. The audit plan, which is reviewed and approved by the Audit Committee, establishes the scope of audit work to ascertain the operational functionality of the internal controls, risk management, information system and system procedures within the PNB Group, that would:

- Consistently safeguard the assets of the PNB Group;
- Continuously identify and mitigate risks;
- Ensure the reliability and integrity of financial and operating information;
- Ensure the compliance of the systems with policies, plans, procedures and regulations that have a significant impact on operations and reports;
- Ensure resources are efficiently employed in the relevant areas; and
- Ensure operations or programmes are carried out as planned and the outcomes are consistent with established objectives or goals.

Activities in FY2018

In the period under review, FMAD carried out a total of 97 internal audit assignments, which include special investigations and ad hoc assignments in accordance with its audit plan, across the core divisions and departments within the PNB Group, including:

- Asset Management - including investment analysis, equity trading operations and investment systems;
- Strategic Investments - including both quoted and unquoted investments;
- Unit Trust operations managed by PNB and its subsidiary companies - including the computation on income distribution, functionality of IT systems and operations of Hibah Amanah; and
- Property/Real Estate, as well as the property trust operations.

The audit work by FMAD also covered support services such as finance, procurement activities, communications and human capital planning and development, as well as selected subsidiary companies in the property investment, property development and hospitality businesses.

FMAD's reports were deliberated at senior management level and action plans were put in place to complete the necessary preventive and corrective actions. FMAD's findings and management's responses were also tabled to the Audit Committee to ensure that management undertook the agreed remedial actions. Subsequently, FMAD conducted follow-up audits on the respective departments or business units to ensure that the necessary action plans have been carried out and have achieved the intended results.

In addition, PNB regularly conducts disaster recovery exercises to gauge the readiness of its people and key application systems in the event of a crisis or disaster. In 2018, FMAD participated in the said exercises as an independent party to assess the overall outcome of the exercise and whether the objectives of the exercise have been met.

Recognising the importance and criticality of information technology (IT) in the investment sphere, as well as to enhance its IT Audit capabilities, FMAD also undertook reviews of various IT initiatives implemented by PNB. These reviews not only provided an independent assessment on the state of PNB's IT systems but also helped FMAD to establish relevant benchmarks and best practices in order to improve the overall standard and competency of its IT Audit function.

As part of its continuous improvement efforts, FMAD conducted a Quality Assurance Review in 2018, which enabled it to identify areas of improvement and undertake the necessary measures to enhance the efficiency and competency of FMAD. One of the main outcomes from the above exercise is the adoption of a new Internal Audit Charter which, among others, amplifies the roles and responsibilities of internal audit in providing value-added services and aligns the audit plan and activities with the strategic direction of PNB.

Standard Operating Procedures

Standard Operating Procedures (SOPs) are developed to achieve efficiency, quality of output, and standardisation of performance, whilst reducing non-compliance with regulatory requirements. They provide instructions and guidelines for employees to perform their jobs precisely and consistently in order to achieve end results with the desired quality, and are a crucial element in PNB's system of internal control.

By incorporating the risk-based approach as required in ISO 9001:2015, the departmental-level SOPs established by PNB are in line with the policies approved by the Board, and have efficaciously met the prerequisite requirements towards good corporate governance for all its departments. These risk-based SOPs help employees to be more aware and mindful of the risks associated with their jobs.

The refinement of existing SOPs and the creation of new SOPs are also a crucial element of the implementation phase of Business Process Re-engineering projects, with these SOPs forming the foundation of a successful handover to business owners at the end of each project. PNB has also established a Quality Management System (QMS) to ensure proper documentation of all SOPs. SOPs used in the QMS will be adequately protected, whilst being accessible to and understood and implemented by all staff of PNB.

In 2018, PNB succeeded in retaining ISO 9001:2015 certification for its SOPs in all its seven certified companies and divisions namely Asset Management and related areas, the Real Estate/Property Division, ASNB, Pelaburan Hartanah Nasional Berhad, PNB Perdana Hotel & Suites On The Park Kuala Lumpur (PNBPKL), Hotel Perdana Kota Bharu (HPKB) and PNB Ilham Resort Port Dickson. This was achieved through the strong support, hard work and commitment showed by the appointed Internal Quality Auditors of PNB (IQAs). Presently, PNB has a total of 60 certified IQAs, who are all staff of the PNB Group.

Additionally, in 2018, PNB had also managed to maintain the MS 1900:2014 - Shariah-based QMS certification for PNBPKL, HPKB and PNB Ilham Resort wherein process improvement initiatives were undertaken in compliance with Islamic principles. This is expected to boost customers' satisfaction and confidence, especially for those who are particular about Shariah-compliant related matters.

Statement on Corporate Compliance

As a licensed entity governed by the rules and guidelines set by the Securities Commission Malaysia (SC), PNB will always uphold and safeguard the interest of more than 13.8 million unit holders. It is paramount that PNB demonstrates the highest standards of governance and compliance with the requirements of the law and regulatory authorities, in line with PNB's vision to become a Distinctive World Class Investment House; thereto, compliance with high ethical standards as well as legal and regulatory obligations is fundamental to the preservation of our reputation for integrity.

A systematic and clearly defined approach therefore needs to be established and implemented to ensure compliance with all relevant laws, regulations and guidelines, internal policies and procedures and ethical standards.

Compliance Governance Structure

The Board is responsible for PNB's compliance with all laws, regulations and guidelines. The Board has established a Compliance Committee to oversee the implementation and operation of the Compliance Programme by the Compliance Department, and also supervise the Compliance Officer. The Compliance Officer assumes the key responsibility for PNB's compliance function, and therefore to establish, implement, operate and monitor the Compliance Programme for the PNB Group. Reporting of the Compliance Programme is directly made to the Compliance Committee and the Board.

Composition and Attendance of the Compliance Committee

The Compliance Committee shall comprise at least three members, and at least one-third of the total members of the Compliance Committee shall be Independent members. Currently, the Compliance Committee comprises three members, a majority of whom are Independent Non-Executive Directors.

The Committee shall meet at least four times a year. Additional meetings may be called at any time at the discretion of the Chairman of the Committee. As at December 31, 2018, a total of four meetings were held during the year under review. The composition of the Compliance Committee and the record of their attendance are as follows:

Members	Status	Attendance
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah (Chairman)	Independent Non-Executive	3/4
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive	4/4
Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive	4/4

Note: With the retirement of Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah, the composition of the Compliance Committee is as follows:

Members	Status
Tan Sri Datuk Zainun binti Ali (Chairman)	Independent Non-Executive
Dato' Abdul Rahman bin Ahmad	Non-Independent Executive
Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive

Scope of the Compliance Committee

The Compliance Committee has the authority of, and acts on behalf of the Board, to oversee, among others, the following:

- Proper supervision and effective compliance monitoring of the relevant laws, regulations, guidelines, licensing conditions and rules; and
- The provision of advice, guidance and direction in relation to the implementation of the Compliance Work Plan of the Compliance Department.

Functions of the Compliance Committee

In general, the functions or duties of the Compliance Committee are as follows:

- Determine, approve, review and monitor the Compliance Programme of the Compliance Department, which includes its procedures as well as the implementation and progress of its activities;
- Evaluate and review the findings of the compliance report presented by the Compliance Officer and to make necessary recommendations when required;
- Evaluate compliance breaches, recommend actions to be taken to address the breaches and establish necessary disciplinary actions, if any;
- Review and approve the structure of the overall compliance function of the PNB Group, and to delegate compliance responsibilities and authorities to the relevant parties;
- Address and take appropriate action on matters relating to clients' complaints; and
- Recommend appropriate policies to ensure the PNB Group's ongoing compliance with relevant legal and regulatory requirements, for the approval of the Board.

Activities of the Compliance Committee in FY2018

In line with the terms of reference of the Compliance Committee, the following activities were carried out during the year under review:

- Approved, reviewed and monitored the Work Plan and Key Performance Indicators of the Compliance Department;
- Evaluated and reviewed the findings of the compliance report presented by the Compliance Officer and made necessary recommendations when required;
- Evaluated compliance breaches, recommended actions to be taken to address the breaches and established such necessary actions;
- Reviewed the adequacy of resources and competencies of the staff of the Compliance Department to execute their Work Plan, and the results of their work;
- Reviewed the structure of the overall compliance function of the PNB Group;
- Reviewed matters relating to clients' complaints; and
- Recommended the AMLA Framework of the PNB Group and the Whistleblowing Policy for the approval of the Board.

Overview of Compliance Programme

A Compliance Programme has been established and implemented based on the fundamental elements described in the Guidelines on Compliance Function for Fund Management Companies issued by the SC. PNB's Compliance Programme is a key component of our commitment to achieve the highest standards of corporate conduct. It is designed to foster compliance with applicable laws and regulations including the Capital Market and Services Act 2007 and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, as well as other requirements relevant to our business such as integrity-related matters. As the Compliance Programme is dynamic, it is regularly reviewed and enhanced to meet the evolving compliance standards. The fundamental elements of our Compliance Programme are the compliance manual, education and training, liaising with the regulatory authorities, compliance review and advice, and supervision of Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) matters.

As part of PNB's continuous efforts in ensuring that regulatory compliance risk is effectively managed to support business growth in line with the aspirations and risk appetite of the PNB Group, we are committed to establishing and implementing a comprehensive compliance structure and programme which are aligned with industry best practices and international standards. With the supervision and guidance of the Compliance Committee of the PNB Group and spearheaded by the Compliance Officer, the Compliance Department aims to fulfill the following aspirations:

- To achieve the target of zero non-compliance by ensuring compliance to all the relevant laws and regulatory requirements of the SC and other relevant agencies;
- To increase the capability and visibility of the Compliance Department in its advisory role so as to effectively function as a second line of defence; and
- To instill a strong compliance culture and make compliance a way of life, especially in accomplishing the vision and mission of the PNB Group.

In pursuit of the aspirations above, PNB's Compliance Programme in 2018 focused on the following activities:

1. Enhancing Operations through Innovation

In facing the challenging business environment, PNB has successfully managed to automate our key compliance processes through the establishment of a Compliance System. This is expected to enhance the operational efficiency and effectiveness of the Compliance Department with the main objective of providing timely submission of periodical compliance reporting to the relevant authorities. The Compliance System assists in providing early detection of any breach which requires immediate remedial action to comply with regulatory requirements, and acts as an alert system to ensure zero non-compliance in the submission of statutory reports. It will also enable compliance reports for the Board to be produced in an effective and efficient manner.

Our Compliance Manual, which serves as a one-stop platform for staff to obtain all the applicable laws, regulations, guidelines and internal policies for reference in performing their daily operations, is now accessible online. All the latest revisions in the applicable guidelines and laws can be obtained from the system, thus enabling staff to be updated with the latest regulatory changes in the industry.

Additionally, we have improved our internal processes in relation to AML/CFT activities through the establishment and implementation of a new process flow and modification to our existing IT system, in line with industry best practice.

2. Intensifying Compliance Literacy and Awareness Programme

We believe that education and training are the key components in inculcating a compliance culture among staff. This is a critical aspect in ensuring that all new and existing employees of the PNB Group are reminded of their roles and responsibilities in upholding righteous conduct and integrity. In 2018, the Compliance Department conducted 13 programmes via all-user emails which included the sharing of information on the core principles of compliance as well as explanatory notes on key regulatory requirements to be complied with in performing their daily tasks.

Additionally, the Compliance Department had disseminated 14 relevant regulatory updates to ensure that all employees are aware of and comply with the latest regulatory requirements. In measuring the effectiveness of the said programmes, a customer satisfaction survey conducted showed that 98% of the respondents stated that they had benefited from them.

3. Continuous Engagement with the Authorities

Other compliance programmes conducted include continuous engagement to foster closer relationships with the relevant authorities within the industry such as the SC, Malaysian Anti-Corruption Commission (MACC) and Royal Malaysian Police as well as other Government-linked Companies (GLCs), in our efforts to improve the acceptance and understanding of governance in our daily operations.

In 2018, the Compliance Department had participated in engagement sessions organised by the MACC to discuss the Government's strategic plan on matters relating to integrity and key challenges in dealing with AML/CFT issues. Through these sessions, PNB was able to hold in-depth direct discussions with the MACC on AML/CFT matters and exchange views with other GLCs on integrity, whistleblowing and other corporate governance matters.

Anti-Corruption and Anti-Bribery Statement

The PNB Group is committed to conducting all its business dealings in an honest and ethical manner whilst maintaining the highest standard of integrity and corporate governance. In accordance with the requirements of our regulatory authority, the SC, we implement and enforce robust policies and procedures to safeguard against any illegal behaviour.

The PNB Group acts in an open and transparent manner in all of its dealings with customers, employees, suppliers and all third-party contacts. We have a zero-tolerance approach on corrupt practices and unethical behaviour and will take firm action to eradicate any activities that lead to bribery and corruption.

The PNB Group is committed to creating an environment that enables and encourages its employees and the public to raise any concerns on our conduct. If there are any incidents of integrity infringement, especially relating to corruption, employees and the public can and are encouraged to raise their concerns to the Compliance Officer or the Group Chairman. Genuine complaints will be treated confidentially and investigated in a transparent and fair manner.

To further strengthen this, the PNB Group has adopted a No-Gift Policy to deter both employees and external parties from being involved in bribery as well as to avoid any conflict of interest, whether actual or potential.

The Board of Directors of PNB is pleased to present the report of the Audit Committee of the Board of Directors of PNB for the financial year ended 31 December 2018.

Composition and Attendance of the Audit Committee

The Audit Committee shall comprise a maximum number of six and a minimum number of three Board members who shall be Non-Executive Directors of the Board of Directors of the PNB Group, a majority of whom are Independent. Currently, the Audit Committee comprises three members, all of whom are Independent Non-Executive Directors.

The Committee shall meet at least four times a year. Additional meetings may be called at any time at the discretion of the Chairman of the Audit Committee. As at December 31, 2018, a total of 12 meetings were held during the year under review. The composition of the Audit Committee and the record of their attendance are as follows:

Members	Status	Attendance
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah (Chairman)	Independent Non-Executive	11/12
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive	12/12
Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive	10/12

Note: With the retirement of Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah on 31 December 2018, the composition of the Audit Committee is as follows:

Members	Status
Dato Dr. Nik Ramlah binti Nik Mahmood (Chairman)	Independent Non-Executive
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent Non-Executive
Datuk Mohd. Anwar bin Yahya	Independent Non-Executive

Scope of the Audit Committee

- The Committee is authorised to investigate any matter within the Terms of Reference of the Audit Committee, to obtain the resources which it needs to do so, and to have full access to information;
- The Committee is authorised to form and delegate authority to sub-committees, which shall be subject to its own Terms of Reference as approved by the Audit Committee; and
- The Committee shall provide greater emphasis on the audit functions by increasing the objectivity and independence of external and internal auditors, and providing a forum for discussion that is independent of the management.



Functions of the Audit Committee

To review, appraise and report on the following:

- The quality and effectiveness of the entire accounting and internal control system;
- The adequacy and integrity of the audit efforts by both the external auditors and the internal auditors;
- The propriety of accounting policies adopted by management and accepted by the external auditors, where alternatives are also acceptable;
- The adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the PNB Group;
- Any significant difficulty encountered or material discovery made by the external or internal auditors;
- The effects of any change in accounting principles or of any development taking place in the accounting profession or any statutory authority; and
- The firm of external auditors retained by the PNB Group and the Audit Committee's recommendation to retain or replace the firm of external auditors for the ensuing year.

Activities of the Audit Committee

In line with the terms of reference for the Audit Committee, the following activities were carried out during the year under review:

- Review and approval of the audit plan of the FMAD and the external auditor, including their scope of work for the financial year prepared by FMAD and the external auditor respectively;
- Review of the reports for the PNB Group as prepared by FMAD and the external auditor and consideration of issues and action plans;
- Review of and deliberation on the audit reports, issues and recommendations from FMAD and the external auditors from the audits conducted during the year; and
- Review and consideration of ad hoc and special reviews conducted by FMAD arising from special requests from the management.

Shariah Advisory Committee Report

PNB's Shariah Advisory Committee (SAC) hereby declares that the products (as listed below) being managed by ASNB, a wholly-owned unit trust management company of PNB, conform to the requirements of Shariah, based on *Maqasid Shariah* and *Siyasah Shar'iyah* principles.

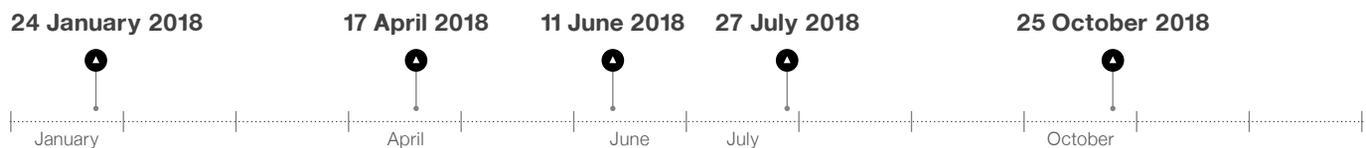
Fixed Price Fund:

1. Amanah Saham Bumiputera (ASB)
2. Amanah Saham Bumiputera 2 (ASB 2)
3. Amanah Saham Bumiputera 3 - Didik (ASB 3 Didik) (formerly known as Amanah Saham Didik)
4. Amanah Saham Malaysia (ASM)
5. Amanah Saham Malaysia 2 - Wawasan (ASM 2 Wawasan) (formerly known as Amanah Saham Wawasan 2020)
6. Amanah Saham Malaysia 3 (ASM 3) (formerly known as Amanah Saham 1Malaysia)

Variable Price Fund:

1. Amanah Saham Nasional (ASN)
2. ASN Equity 2 (formerly known as Amanah Saham Nasional 2)
3. ASN Equity 3 (formerly known as Amanah Saham Gemilang - Kesihatan)
4. ASN Equity 5
5. ASN Imbang (Mixed Asset Balanced) 1 (ASN Imbang 1) (formerly known as Amanah Saham Nasional 3 Imbang)
6. ASN Imbang (Mixed Asset Balanced) 2 (ASN Imbang 2) (formerly known as Amanah Saham Gemilang - Pendidikan)
7. ASN Sara (Mixed Asset Conservative) 1 (ASN Sara 1) (formerly known as Amanah Saham Gemilang - Persaraan)
8. ASN Sara (Mixed Asset Conservative) 2 (ASN Sara 2)

This report is made based on the information provided and disclosed to us in reports entitled "Status Pelaburan PNB dan Dana Unit Amanah Dalam Sekuriti Patuh Syariah atas Dasar Maqasid Syariah dan Siyasah Syar'iyah" during PNB's SAC meetings held in FY2018 as follows:



PNB's Shariah Advisory Committee

Members	Status
Datuk Dr. Mohd Daud bin Bakar (Chairman)	Independent Non-Executive
Tan Sri Dato' Seri (Dr.) Haji Harussani bin Haji Zakaria	Independent Non-Executive
Dato' Haji Mohamad Shukri bin Mohamad	Independent Non-Executive
Dato' As-Sheikh Haji Nooh bin Gadot	Independent Non-Executive
Professor Dato' Dr. Mahmood Zuhdi bin Abdul Majid	Independent Non-Executive
Dr. Aida binti Othman	Independent Non-Executive



PNB's Shariah Commitment

PNB believes in the significance of upholding Shariah principles in every facet of its business operations and activities through the creation and enhancement of Shariah-compliance requirements in PNB. Subsequent to obtaining the Harus fatwa from all State Fatwa Councils (Majlis Fatwa Negeri) on all our unit trust products in 2017, PNB has continued to focus our efforts in executing more Shariah initiatives in 2018.

Expanding ASNB's Product Distribution Network through Islamic Banks

As a result of our active engagement with local Islamic banking players, 2018 saw a further expansion of ASNB's product distribution network to include Bank Muamalat, RHB Islamic and Hong Leong Islamic.

Establishment of a Comprehensive PNB Zakat Framework

PNB has taken the initiative to create a comprehensive Zakat framework to ensure that matters related to PNB's Zakat contribution are managed prudently and efficiently.

Maqasid Awareness Programmes

Our Maqasid awareness programmes are central to the activities of the Shariah Management Department as they provide a platform to educate our stakeholders on PNB's Maqasid screening process and provide assurance on the Shariah status of ASNB's unit trust funds. Roadshows were held at various locations in 2018, as follows:

- **27 February** - PNB's employees
- **1 March** - Alliance Islamic Bank
- **6 July** - Standard Chartered Bank
- **9 July** - PNB's employees
- **7 August** - Maybank Islamic Berhad
- **8 August** - Royal Malaysian Customs Department
- **4 September** - International Conference on Governance and Wealth Management 2018, Universiti Kebangsaan Malaysia
- **5 October** - Universiti Malaya

Continuous Support in Major Islamic Finance Conferences

PNB continues to actively participate and contribute to Islamic finance conferences, seminars, industrial development programmes and knowledge sharing activities to build rapport with peer organisations and universities in Malaysia for the benefit of the industry at large.

In 2018, these included the 2nd UUM International Islamic Business Management Conference, held on 5 to 6 July 2018, and the 4th Annual Symposium on Islamic Finance, jointly organised by the World Bank Group, International Centre for Education in Islamic Finance (INCEIF) and the Islamic Research and Training Institute (IRTI) on 11 December 2018.

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PNB Group 5-Year Consolidated Coterminous Proforma Financials

For the Financial Year Ended 31 December

	2014 RM million	2015 RM million	2016 RM million	2017 RM million	2018 RM million
Gross Income ¹	19,978	18,816	17,534	20,350	20,307
Net Income ¹	16,990	15,586	15,160	17,710	17,009
Total Assets ²	244,335	254,608	266,412	279,232	298,517
Return on Assets ³ (%)	7.1%	6.3%	6.0%	6.7%	6.0%

¹ Income figures based on proforma aggregate gross and net income respectively of PNB and its unit trust funds, adjusted to be coterminous according to year ended 31 December

² Total Assets (Assets Under Management) based on proforma aggregate of PNB's gross investment assets, the Value of Fund (before distribution) of the fixed price funds and the Net Asset Value (before distribution) of the variable price funds

³ Return on Assets = Net Income divided by monthly average total assets

Independent Auditors' Report

to the Board of Directors of Permodalan Nasional Berhad (Incorporated In Malaysia)

Opinion

The summary financial information which comprise the statements of financial position as at the respective financial year ends and the statements of comprehensive income for the financial years then ended for the unit trust funds listed below, are derived from the complete audited financial statements of these unit trust funds for the respective financial years then ended:

1.	Amanah Saham Bumiputera - 31 December 2016, 2017 and 2018
2.	Amanah Saham Bumiputera 2 - 31 March 2016, 2017 and 2018
3.	Amanah Saham Bumiputera 3-Didik (<i>formerly known as Amanah Saham Didik</i>) - 30 June 2016, 2017 and 2018
4.	Amanah Saham Malaysia - 31 March 2016, 2017 and 2018
5.	Amanah Saham Malaysia 2-Wawasan (<i>formerly known as Amanah Saham Wawasan 2020</i>) - 31 August 2016, 2017 and 2018
6.	Amanah Saham Malaysia 3 (<i>formerly known as Amanah Saham 1Malaysia</i>) - 30 September 2016, 2017 and 2018
7.	Amanah Saham Nasional - 31 December 2016, 2017 and 2018
8.	ASN Equity 2 (<i>formerly known as Amanah Saham Nasional 2</i>) - 30 June 2016, 2017 and 2018
9.	ASN Imbang (Mixed Asset Balanced) 1 (<i>formerly known as Amanah Saham Nasional 3 Imbang</i>) - 30 November 2016, 2017 and 2018
10.	ASN Umbrella (the umbrella fund for ASN Imbang (Mixed Asset Balanced) 2, ASN Equity 3, and ASN Sara (Mixed Asset Conservative) 1) (<i>formerly known as Amanah Saham Gemilang, the umbrella fund for Amanah Saham Pendidikan, Amanah Saham Persaraan and Amanah Saham Kesihatan</i>) - 31 March 2016, 2017 and 2018

In our opinion, the accompanying summary financial information are consistent, in all material respects with the respective audited financial statements, in accordance with the basis described on pages 126 to 138.

Summary Financial Information

The summary financial information for Amanah Saham Bumiputera, Amanah Saham Bumiputera 2, Amanah Saham Bumiputera 3-Didik (*formerly known as Amanah Saham Didik*), Amanah Saham Malaysia, Amanah Saham Malaysia 2-Wawasan (*formerly known as Amanah Saham Wawasan 2020*) and Amanah Saham Malaysia 3 (*formerly known as Amanah Saham 1Malaysia*) do not contain all the disclosures required by the Malaysian Financial Reporting Standards as modified by applicable specific prescription issued by the Securities Commission's Guidelines on Unit Trust Funds in Malaysia. The summary financial information for Amanah Saham Nasional, ASN Equity 2 (*formerly known as Amanah Saham Nasional 2*), ASN Imbang (Mixed Asset Balanced) 1 (*formerly known as Amanah Saham Nasional 3 Imbang*) and ASN Umbrella (the umbrella fund for ASN Imbang (Mixed Asset Balanced) 2, ASN Equity 3, and ASN Sara (Mixed Asset Conservative) 1) (*formerly known as Amanah Saham Gemilang, the umbrella fund for Amanah Saham Pendidikan, Amanah Saham Persaraan and Amanah Saham Kesihatan*) do not contain all the disclosures required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. Reading the summary financial information and

the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report of these unit trust funds.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on those audited financial statements in our reports for the respective financial years then ended. The audited financial statements and the summary financial information do not reflect the effects of the events that occurred subsequent to the date of our reports on the audited financial statements.

Information other than the Summary Financial Information and Auditors' Report Thereon

The Directors are responsible for the other information. The other information comprise the general information of the fund, fund snapshot, fund performance and asset allocation of the unit trust funds and do not include the summary financial information and our auditors' report thereon.

Our opinion on the summary financial information does not cover the other information and we do not express any form of assurance conclusion thereon.

Directors' Responsibility for the Summary Financial Information

The Directors are responsible for the preparation of the summary financial information in accordance with the basis described on pages 126 to 138.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial information are consistent, in all material respects, with the audited financial statements of the respective unit trust funds based on our procedures, which are conducted in accordance with Malaysian Approved Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

Restriction on Use

Our report on the summary financial information of the unit trust funds for the respective financial years then ended is issued solely to the Board of Directors of Permodalan Nasional Berhad. We do not assume responsibility to any other person for the content of this report.

Henafish Baslan & Mohamed

7 March 2019
Kuala Lumpur

Unit Trust Funds



Launch Date

2 January 1990

Fund Type

Income

Fund Category

Mixed Asset

Investment Objective

To generate long-term, consistent and competitive returns to unit holders whilst ensuring the preservation of capital at minimal risk tolerance level

Asset Allocation

- Up to **90%** of its Value of Fund (VOF) in equities
- Up to **50%** of its VOF in other asset classes
- Minimum **5%** of its VOF in cash or liquid asset

Performance Benchmark

Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Dec	2016	2017	2018
Units in Circulation (million units)	144,443	145,903	155,879
Number of Accounts	9,108,719	9,302,393	9,664,241

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 31 Dec (RM'000)

	2016	2017	2018
Total investment income	10,462,603	10,805,595	10,868,721
Total expenses	636,375	652,590	1,038,758
Net income before taxation	9,826,228	10,153,005	9,829,963
Less: Taxation	-	-	-
Net income after taxation	9,826,228	10,153,005	9,829,963
Other Comprehensive Income	-	-	-
Total Comprehensive Income	9,826,228	10,153,005	9,829,963

Fund Performance

Financial Year Ended 31 Dec	2016	2017	2018
Income Distribution (RM million)	9,652.03	10,177.99	9,837.45
Income Distribution (sen per unit)	6.75	7.00	6.50
Bonus (sen per unit)	0.50	0.25	0.50
Special Bonus (sen per unit)#	-	1.00	-
Benchmark Return (%)	3.41	3.44	3.35

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Dec	2016	2017	2018
Equity	72.92	77.61	73.56
Fixed Income	2.74	3.38	4.64
Mixed Capital	0.02	0.02	-
Others	24.32	18.99	21.80
TOTAL	100.00	100.00	100.00

Notes:

- 1 Source: Fund Annual Report 2018
- 2 The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds
- # For balances up to 10,000 units only



ASB 2

Launch Date

2 April 2014

Fund Type

Income

Fund Category

Mixed Asset

Investment Objective

To provide a regular income stream whilst preserving unit holders' investment capital through a mixed asset portfolio

Asset Allocation

- Up to **90%** of its Value of Fund (VOF) in equities
- Up to **50%** of its VOF in other asset classes such as variable and fixed income securities
- Minimum **5%** of its VOF in cash or cash equivalent

Performance Benchmark

Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Mar	2016	2017	2018
Units in Circulation (million units)	4,430	7,386	9,354
Number of Accounts	161,082	266,848	348,574

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 31 Mar (RM'000)

	2016	2017	2018
Total investment income	238,669	406,029	625,858
Total expenses	20,097	13,816	48,015
Net income before taxation	218,572	392,213	577,843
Less: Taxation	-	-	-
Net income after taxation	218,572	392,213	577,843
Other Comprehensive Income	-	-	-
Total Comprehensive Income	218,572	392,213	577,843

Fund Performance

Financial Year Ended 31 Mar	2016	2017	2018
Income Distribution (RM million)	208.84	377.86	562.92
Income Distribution (sen per unit)	7.05	6.50	6.75
Benchmark Return (%)	3.62	3.52	3.61

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Mar	2016	2017	2018
Equity	65.01	77.07	77.34
Fixed Income and Others	34.99	22.93	22.66
TOTAL	100.00	100.00	100.00

Notes:

- 1 Source: Fund Annual Report 2018
- 2 The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASB 3 Didik

(Formerly known as Amanah Saham Didik)

Launch Date

20 April 2001

Fund Type

Growth

Fund Category

Mixed Asset

Investment Objective

To provide an investment opportunity that generates reasonable long-term growth and returns

Asset Allocation

- Up to **90%** of its Value of Fund (VOF) in equities
- Up to **50%** of its VOF in other asset classes
- Minimum **5%** of its VOF in cash or liquid asset

Performance Benchmark

Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 30 Jun	2016	2017	2018
Units in Circulation (million units)	5,235	5,545	5,846
Number of Accounts	307,784	299,817	291,286

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 30 Jun (RM'000)

	2016	2017	2018
Total investment income	430,928	314,270	439,785
Total expenses	82,796	73,326	126,193
Net income before taxation	348,132	240,944	313,592
Less: Taxation	-	-	-
Net income after taxation	348,132	240,944	313,592
Other Comprehensive Income	-	-	-
Total Comprehensive Income	348,132	240,944	313,592

Fund Performance

Financial Year Ended 30 Jun	2016	2017	2018
Income Distribution (RM million)	325.13	329.53	357.88
Income Distribution (sen per unit)	6.30	6.00	6.25
Benchmark Return (%)	3.65	3.43	3.35

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 30 Jun	2016	2017	2018
Equity	69.92	55.27	77.75
Unquoted Unit Trust	0.22	0.22	0.25
Fixed Income	7.20	7.72	12.64
Others	22.66	36.79	9.36
TOTAL	100.00	100.00	100.00

Notes:

- 1 Source: Fund Annual Report 2018
- 2 The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



Launch Date

20 April 2000

Fund Type

Income

Fund Category

Mixed Asset

Investment Objective

To provide unit holders with a long-term investment opportunity that generates regular and competitive returns through a diversified portfolio of investments

Asset Allocation

- Up to **90%** of its Value of Fund (VOF) in equities
- Up to **50%** of VOF in other asset classes
- Minimum **5%** of VOF in cash or liquid asset

Performance Benchmark

Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Mar	2016	2017	2018
Units in Circulation (million units)	16,298	17,321	18,358
Number of Accounts	536,862	539,581	541,107

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 31 Mar (RM'000)

	2016	2017	2018
Total investment income	1,349,731	1,277,129	1,373,526
Total expenses	295,391	212,292	315,630
Net income before taxation	1,054,340	1,064,837	1,057,896
Less: Taxation	-	-	-
Net income after taxation	1,054,340	1,064,837	1,057,896
Other Comprehensive Income	-	-	-
Total Comprehensive Income	1,054,340	1,064,837	1,057,896

Fund Performance

Financial Year Ended 31 Mar	2016	2017	2018
Income Distribution (RM million)	1,023.03	1,036.84	1,144.59
Income Distribution (sen per unit)	6.30	6.00	6.25
Benchmark Return (%)	3.71	3.43	3.69

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Mar	2016	2017	2018
Equity and Unit Trust	73.56	75.33	75.62
Fixed Income and Others	26.44	24.67	24.38
TOTAL	100.00	100.00	100.00

Notes:

- 1 Source: Fund Annual Report 2018
- 2 The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASM 2 Wawasan

(Formerly known as Amanah Saham Wawasan 2020)

Launch Date

28 August 1996

Fund Type

Income

Fund Category

Mixed Asset

Investment Objective

To provide a reasonable level of regular distribution income to unit holders from investments in a selected portfolio of authorised investments

Asset Allocation

- Up to **90%** of its Value of Fund (VOF) in equities
- Up to **50%** of its VOF in other asset classes
- Minimum **5%** of its VOF in cash or liquid asset

Performance Benchmark

Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Aug	2016	2017	2018
Units in Circulation (million units)	18,193	18,977	19,773
Number of Accounts	878,145	873,958	871,503

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 31 Aug (RM'000)

	2016	2017	2018
Total investment income	1,410,170	1,387,514	1,475,185
Total expenses	218,525	230,224	321,702
Net income before taxation	1,191,645	1,157,290	1,153,483
Less: Taxation	-	-	-
Net income after taxation	1,191,645	1,157,290	1,153,483
Other Comprehensive Income	-	-	-
Total Comprehensive Income	1,191,645	1,157,290	1,153,483

Fund Performance

Financial Year Ended 31 Aug	2016	2017	2018
Income Distribution (RM million)	1,138.37	1,131.20	1,180.39
Income Distribution (sen per unit)	6.30	6.00	6.00
Benchmark Return (%)	3.40	3.43	3.35

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Aug	2016	2017	2018
Equity	74.63	70.05	79.39
Fixed Income and Others	25.37	29.95	20.61
TOTAL	100.00	100.00	100.00

Notes:

- 1 Source: Fund Annual Report 2018
- 2 The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASM 3

(Formerly known as Amanah Saham 1Malaysia)

Launch Date

5 August 2001

Fund Type

Income

Fund Category

Mixed Asset

Investment Objective

To provide a regular and consistent income stream whilst preserving unit holders' investment capital over a long-term horizon through a diversified portfolio of investments

Asset Allocation

- Up to **90%** of its Value of Fund (VOF) in equities
- Up to **50%** of its VOF in other asset classes such as variable and fixed income securities
- Minimum **5%** of its VOF in cash or liquid asset

Performance Benchmark

Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 30 Sep	2016	2017	2018
Units in Circulation (million units)	11,486	12,069	12,763
Number of Accounts	393,465	394,357	447,607

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 30 Sep (RM'000)

	2016	2017	2018
Total investment income	785,155	874,805	914,650
Total expenses	82,722	150,724	206,324
Net income before taxation	702,433	724,081	708,326
Less: Taxation	-	-	-
Net income after taxation	702,433	724,081	708,326
Other Comprehensive Income	-	-	-
Total Comprehensive Income	702,433	724,081	708,326

Fund Performance

Financial Year Ended 30 Sep	2016	2017	2018
Income Distribution (RM million)	692.61	715.85	749.62
Income Distribution (sen per unit)	6.10	6.00	6.00
Benchmark Return (%)	3.44	3.66	3.35

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 30 Sep	2016	2017	2018
Equity and Unit Trust	79.36	78.51	73.50
Fixed Income and Others	20.64	21.49	26.50
TOTAL	100.00	100.00	100.00

Notes:

- 1 Source: Fund Annual Report 2018
- 2 The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds

**Launch Date**

20 April 1981

Fund Type

Growth

Fund Category

Equity

Investment Objective

To generate a reasonable level of income distribution and capital appreciation to unit holders through a diversified portfolio of investments

Asset Allocation

70% - 90% of its Net Asset Value (NAV) in equities

Performance Benchmark

80% FTSE Bursa Malaysia 100: 20%
Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Dec	2016	2017	2018
Units in Circulation (million units)	1,857	1,902	1,837
Number of Accounts	1,244,253	1,235,720	1,225,979

Fund Financials**Summarised Statements of Comprehensive Income for the year ended 31 Dec (RM'000)**

	2016	2017	2018
Total investment income	36,692	68,883	12,454
Total expenses	20,537	23,069	18,570
Net income before taxation	16,155	45,814	(6,116)
Less: Taxation	-	-	-
Net income after taxation	16,155	45,814	(6,116)
Other Comprehensive Income	41,972	188,897	(118,178)
Total Comprehensive Income	58,127	234,711	(124,294)

Total comprehensive (loss)/income for the year is made up of the following:

Realised	70,312	69,130	63,870
Unrealised	(12,185)	165,581	(188,164)
	58,127	234,711	(124,294)

Summarised Statements of Financial Position as at 31 Dec (RM'000)

	2016	2017	2018
Investments	1,290,665	1,471,435	1,236,341
Other Assets	53,502	27,437	47,141
Total Assets	1,344,167	1,498,872	1,283,482
Liabilities	(111,584)	(75,436)	(91,705)
Unit Holder Capital/NAV	1,232,583	1,423,435	1,191,777

Fund Performance

Financial Year Ended 31 Dec	2016	2017	2018
Distribution Yield (%)	7.53	4.88	5.01
Total Return (%)	4.62	18.26	(8.95)
Benchmark Return (%)	(1.23)	10.86	(6.74)
Financial Year Ended 31 Dec	1 Year	3 Years	5 Years
Annualised Total Return (%)	(8.95)	4.05	0.57
Benchmark Return (%)	(6.74)	0.70	(0.75)

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Dec	2016	2017	2018
Equity	86.17	78.76	81.24
Mixed Capital	-	0.36	-
Fixed Income	4.49	4.01	3.54
Others	9.34	16.87	15.22
TOTAL	100.00	100.00	100.00

Notes:

- Source: Fund Annual Report 2018
- The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASN Equity 2

(Formerly known as Amanah Saham Nasional 2)

Launch Date

9 June 1999

Fund Type

Growth

Fund Category

Equity

Investment Objective

To provide unit holders with a reasonable dividend yield as well as capital appreciation at an acceptable level of risk through investments made in accordance with the Deed and securities law in a diversified portfolio of securities, principally in Malaysian equity securities

Asset Allocation

70% - 90% of the fund's Net Asset Value (NAV) in equities

Performance Benchmark

80% FTSE Bursa Malaysia 100: 20% Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 30 Jun	2016	2017	2018
Units in Circulation (million units)	1,452	1,479	1,512
Number of Accounts	22,570	24,944	29,826

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 30 Jun (RM'000)

	2016	2017	2018
Total investment income	35,361	38,353	38,401
Total expenses	12,912	12,752	12,431
Net income before taxation	22,449	25,601	25,970
Less: Taxation	-	-	-
Net income after taxation	22,449	25,601	25,970
Other Comprehensive Income	(34,525)	77,346	(38,211)
Total Comprehensive Income	(12,076)	102,947	(12,241)

Total comprehensive (loss)/income for the year is made up of the following:

Realised	34,980	45,424	43,052
Unrealised	(47,056)	57,523	(55,293)
	(12,076)	102,947	(12,241)

Summarised Statements of Financial Position as at 30 Jun (RM'000)

	2016	2017	2018
Investments	884,960	955,507	910,897
Other Assets	5,531	4,006	9,030
Total Assets	890,491	959,513	919,927
Liabilities	(51,993)	(48,960)	(47,925)
Unit Holder Capital/NAV	838,498	910,553	872,002

Fund Performance

Financial Year Ended 30 Jun	2016	2017	2018
Distribution Yield (%)	5.97	5.04	5.38
Total Return (%)	(1.48)	11.93	(1.28)
Benchmark Return (%)	(0.73)	7.80	(2.38)
Financial Year Ended 30 Jun	1 Year	3 Years	5 Years
Annualised Total Return (%)	(1.28)	2.87	3.03
Benchmark Return (%)	(2.38)	1.47	0.33

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 30 Jun	2016	2017	2018
Equity	84.20	86.07	69.34
Mixed Capital	0.62	0.56	-
Fixed Income	3.00	2.76	2.64
Others	12.18	10.61	28.02
TOTAL	100.00	100.00	100.00

Notes:

- Source: Fund Annual Report 2018
- The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASN Imbang 1

(Formerly known as Amanah Saham Nasional 3 Imbang)

Launch Date

16 October 2001

Fund Type

Balanced

Fund Category

Mixed Assets

Investment Objective

To generate capital growth over the medium to long-term period by investing in a balanced portfolio of investments and through re-investment of distribution, if any

Asset Allocation

25% - 75% of the fund's Net Asset Value (NAV) in equities

Performance Benchmark

50% FTSE Bursa Malaysia 100: 50% Maybank 12-Month Fixed Deposit

Notes:

- 1 Source: Fund Annual Report 2018
- 2 The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds

Fund Snapshot

Financial Year Ended 30 Nov	2016	2017	2018
Units in Circulation (million units)	1,180	1,295	1,302
Number of Accounts	38,928	43,613	46,122

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 30 Nov (RM'000)

	2016	2017	2018
Total investment income	42,651	48,526	36,918
Total expenses	17,054	17,559	16,534
Net income before taxation	25,597	30,967	20,384
Less: Taxation	-	-	-
Net income after taxation	25,597	30,967	20,384
Other Comprehensive Income	(17,061)	44,521	(69,799)
Total Comprehensive Income	8,536	75,488	(49,415)

Total comprehensive (loss)/income for the year is made up of the following:

	2016	2017	2018
Realised	67,908	55,718	60,954
Unrealised	(59,372)	19,770	(110,369)
	8,536	75,488	(49,415)

Summarised Statements of Financial Position as at 30 Nov (RM'000)

	2016	2017	2018
Investments	1,259,348	1,379,062	1,254,657
Other Assets	15,899	39,120	41,538
Total Assets	1,275,247	1,418,182	1,296,195
Liabilities	(72,197)	(81,368)	(65,641)
Unit Holder Capital/NAV	1,203,050	1,336,814	1,230,554

Fund Performance

Financial Year Ended 30 Nov	2016	2017	2018
Distribution Yield (%)	5.88	4.84	5.03
Total Return (%)	0.78	6.10	(3.85)
Benchmark Return (%)	0.88	6.14	(0.57)
Financial Year Ended 30 Nov	1 Year	3 Years	5 Years
Annualised Total Return (%)	(3.85)	0.93	1.01
Benchmark Return (%)	(0.57)	2.11	1.18

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 30 Nov	2016	2017	2018
Equity	61.74	53.15	53.52
Mixed Capital	0.43	0.38	-
Fixed Income	13.03	25.90	33.16
Others	24.80	20.57	13.32
TOTAL	100.00	100.00	100.00



ASN Imbang 2

(Formerly known as Amanah Saham Gemilang - Pendidikan)

Launch Date

17 March 2003

Fund Type

Growth & Income

Fund Category

Mixed Asset Balanced

Investment Objective

To provide an investment opportunity which generates reasonable long-term growth and returns to meet part or all of the periodic liquidity requirements of unit holders and enable them to fulfill the financial planning needs for education of the unit holders and/or their children

Asset Allocation

25% - 75% of the fund's Net Asset Value (NAV) in equities

Performance Benchmark

50% FTSE Bursa Malaysia 100: 50% Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Mar	2016	2017	2018
Units in Circulation (million units)	676	884	1,135
Number of Accounts	60,404	65,037	74,163

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 31 Mar (RM'000)

	2016	2017	2018
Total investment income	20,046	41,273	46,793
Total expenses	8,554	10,920	13,009
Net income before taxation	11,492	30,353	33,784
Less: Taxation	-	-	-
Net income after taxation	11,492	30,353	33,784
Other Comprehensive Income	(23,223)	20,835	31,828
Total Comprehensive Income	(11,731)	51,188	65,612

Total comprehensive (loss)/income for the year is made up of the following:

Realised	32,584	36,330	44,232
Unrealised	(44,315)	14,858	21,380
	(11,731)	51,188	65,612

Summarised Statements of Financial Position as at 31 Mar (RM'000)

	2016	2017	2018
Investments	680,913	852,433	1,160,886
Other Assets	6,739	37,959	8,396
Total Assets	687,652	890,392	1,169,282
Liabilities	(48,876)	(40,940)	(57,103)
Unit Holder Capital/NAV	638,776	849,452	1,112,179

Fund Performance

Financial Year Ended 31 Mar	2016	2017	2018
Distribution Yield (%)	6.35	4.69	4.90
Total Return (%)	(2.48)	6.41	7.00
Benchmark Return (%)	(1.58)	3.48	5.66
Financial Year Ended 31 Mar	1 Year	3 Years	5 Years
Annualised Total Return (%)	7.00	3.55	4.46
Benchmark Return (%)	5.66	2.47	3.11

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Mar	2016	2017	2018
Equity	68.12	61.98	63.67
Mixed Capital	0.16	1.92	1.45
Fixed Income	7.71	9.64	20.11
Others	24.01	26.46	14.77
TOTAL	100.00	100.00	100.00

Notes:

- Source: Fund Annual Report 2018
- The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASN Equity 3

(Formerly known as Amanah Saham Gemilang - Kesihatan)

Launch Date

17 March 2003

Fund Type

Growth & Income

Fund Category

Equity

Investment Objective

To provide an investment opportunity which generates reasonable long-term growth and returns to fulfill part or all of the immediate liquidity requirements to enable unit holders and/or their children and/or charges to continuously meet their ongoing medical requirements in the long term

Asset Allocation

70% - 90% of the fund's Net Asset Value (NAV) in equities

Performance Benchmark

80% FTSE Bursa Malaysia 100: 20% Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Mar	2016	2017	2018
Units in Circulation (million units)	952	1,730	1,912
Number of Accounts	46,784	65,425	74,063

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 31 Mar (RM'000)

	2016	2017	2018
Total investment income	32,533	56,888	79,363
Total expenses	12,866	18,161	23,594
Net income before taxation	19,667	38,727	55,769
Less: Taxation	-	-	-
Net income after taxation	19,667	38,727	55,769
Other Comprehensive Income	(40,032)	32,353	93,277
Total Comprehensive Income	(20,365)	71,080	149,046

Total comprehensive (loss)/income for the year is made up of the following:

Realised	38,154	42,905	89,584
Unrealised	(58,519)	28,175	59,462
	(20,365)	71,080	149,046

Summarised Statements of Financial Position as at 31 Mar (RM'000)

	2016	2017	2018
Investments	1,001,988	1,759,486	2,063,877
Other Assets	16,543	86,259	9,071
Total Assets	1,018,531	1,845,745	2,072,948
Liabilities	(68,046)	(118,666)	(107,189)
Unit Holder Capital/NAV	950,485	1,727,079	1,965,759

Fund Performance

Financial Year Ended 31 Mar	2016	2017	2018
Distribution Yield (%)	7.01	4.26	5.06
Total Return (%)	(2.77)	4.20	8.18
Benchmark Return (%)	(2.49)	3.45	6.01
Financial Year Ended 31 Mar	1 Year	3 Years	5 Years
Annualised Total Return (%)	8.18	3.11	4.45
Benchmark Return (%)	6.01	2.26	3.01

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Mar	2016	2017	2018
Equity	73.49	72.48	75.74
Mixed Capital	0.11	0.35	0.31
Fixed Income	3.61	3.57	5.58
Others	22.79	23.60	18.37
TOTAL	100.00	100.00	100.00

Notes:

- Source: Fund Annual Report 2018
- The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASN Sara 1

(Formerly known as Amanah Saham Gemilang - Persaraan)

Launch Date

17 March 2003

Fund Type

Growth & Income

Fund Category

Mixed Asset Conservative

Investment Objective

To provide an investment opportunity which generates reasonable long-term growth and returns, and a reliable income stream to enable unit holders and/or their children and/or charges to meet part or all of their retirement needs

Asset Allocation

20% - 80% of the fund's Net Asset Value (NAV) in Fixed Income securities and money market instruments inclusive of liquid assets

Performance Benchmark

30% FTSE Bursa Malaysia 100: 70% Maybank 12-Month Fixed Deposit

Fund Snapshot

Financial Year Ended 31 Mar	2016	2017	2018
Units in Circulation (million units)	256	479	1,119
Number of Accounts	12,579	18,028	37,364

Fund Financials

Summarised Statements of Comprehensive Income for the year ended 31 Mar (RM'000)

	2016	2017	2018
Total investment income	10,472	18,274	37,543
Total expenses	3,964	5,393	11,233
Net income before taxation	6,508	12,881	26,310
Less: Taxation	-	-	-
Net income after taxation	6,508	12,881	26,310
Other Comprehensive Income	(8,050)	10,725	23,026
Total Comprehensive Income	(1,542)	23,606	49,336

Total comprehensive (loss)/income for the year is made up of the following:

Realised	13,909	14,066	24,253
Unrealised	(15,451)	9,540	25,083
	(1,542)	23,606	49,336

Summarised Statements of Financial Position as at 31 Mar (RM'000)

	2016	2017	2018
Investments	301,924	550,477	1,328,827
Other Assets	1,763	11,955	11,081
Total Assets	303,687	562,432	1,339,908
Liabilities	(17,755)	(25,847)	(60,395)
Unit Holder Capital/NAV	285,932	536,585	1,279,513

Fund Performance

Financial Year Ended 31 Mar	2016	2017	2018
Distribution Yield (%)	6.09	4.60	4.50
Total Return (%)	(0.88)	4.80	6.76
Benchmark Return (%)	(2.49)	3.51	4.97
Financial Year Ended 31 Mar	1 Year	3 Years	5 Years
Annualised Total Return (%)	6.76	3.51	4.47
Benchmark Return (%)	4.97	2.88	3.29

Asset Allocation

(% of Net Asset Value)

Financial Year Ended 31 Mar	2016	2017	2018
Equity	68.24	58.17	41.43
Mixed Capital	0.36	1.14	0.47
Fixed Income	10.20	9.31	31.63
Others	21.20	31.38	26.47
TOTAL	100.00	100.00	100.00

Notes:

- Source: Fund Annual Report 2018
- The above Statements of Comprehensive Income are derived from the audited financial statements of the respective unit trust funds



ASN Equity 5

Launch Date

24 September 2018

Fund Type

Growth

Fund Category

Equity

Investment Objective

To provide an investment opportunity which generates a reasonable level of capital appreciation and income distribution to unit holders through a diversified portfolio of investments

Asset Allocation

70% - 90% of its Net Asset Value (NAV) in equities

Performance Benchmark

80% FTSE Bursa Malaysia 100: 20% Maybank 12-Month Fixed Deposit



ASN Sara 2

Launch Date

24 September 2018

Fund Type

Conservative

Fund Category

Mixed Asset

Investment Objective

To provide investors with liquidity and a regular income stream with potential long-term capital growth

Asset Allocation

20% - 80% Net Asset Value (NAV) in fixed income securities and money market instruments inclusive of liquid assets

Performance Benchmark

30% FTSE Bursa Malaysia 100: 70% Maybank 12-Month Fixed Deposit

PERMODALAN NASIONAL BERHAD

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