

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Financial Position As At 30 June 2017

	The Group		The Bank	
	As at	As at	As at	As at
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Note	RM'000	RM'000	RM'000	RM'000
<u>ASSETS</u>				
Cash and short-term funds	10,823,310	7,473,964	10,199,194	5,657,847
Deposits and placements with banks and other financial institutions	826,743	2,057,351	393,664	2,151,449
Securities purchased under resale agreements	300,880	4,056,670	300,880	4,056,670
Financial assets held-for-trading	A8 5,688,165	5,310,241	5,405,310	5,115,288
Financial investments available-for-sale	A9 27,654,217	25,883,318	24,886,280	23,856,212
Financial investments held-to-maturity	A10 13,060,604	11,771,834	10,408,793	10,005,784
Loans, advances and financing	A11 123,990,941	119,458,051	102,538,550	100,059,119
Other assets	A12 1,407,731	1,703,163	1,309,339	1,433,531
Derivative financial instruments	953,042	1,012,367	947,583	999,038
Amount due from subsidiaries	-	-	13,484	14,476
Statutory deposits with Central Banks	3,738,230	4,296,119	2,986,547	3,602,936
Subsidiary companies	-	-	1,662,409	1,529,760
Investment in associated company	3,466,891	3,177,768	946,525	946,525
Investment in joint venture	169,185	144,875	76,711	76,711
Property and equipment	1,423,097	1,382,459	774,999	714,784
Intangible assets	213,323	264,766	194,870	246,784
Goodwill	1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets	4,851	3,957	-	-
TOTAL ASSETS	195,552,522	189,828,215	164,816,685	162,238,461
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Deposits from customers	A13 155,233,205	148,523,914	129,859,403	126,240,777
Deposits and placements of banks and other financial institutions	A14 5,486,692	6,201,230	5,460,076	5,813,633
Obligations on securities sold under repurchase agreements	2,829,617	3,494,903	2,801,366	3,494,903
Bills and acceptances payable	364,675	350,455	348,841	333,952
Other liabilities	A15 4,052,667	3,915,929	3,475,689	3,535,225
Derivative financial instruments	1,405,652	1,549,882	1,363,654	1,532,129
Recourse obligation on loans sold to Cagamas Berhad	202,926	-	202,926	-
Senior bonds	A16 -	1,215,643	-	1,215,643
Tier 2 subordinated bonds	A17 2,402,145	2,401,322	2,001,642	2,000,840
Innovative Tier 1 capital securities	A18 515,623	521,512	515,623	521,512
Borrowings	A19 -	384,730	-	-
Provision for taxation	201,713	31,447	173,953	4,587
Deferred tax liabilities	172,194	120,101	171,131	114,527
TOTAL LIABILITIES	172,867,109	168,711,068	146,374,304	144,807,728
Share capital	7,739,063	2,167,718	7,739,063	2,167,718
Reserves	15,680,311	19,684,469	11,437,279	15,998,055
Less: Treasury shares	(733,961)	(735,040)	(733,961)	(735,040)
TOTAL SHAREHOLDERS' EQUITY	22,685,413	21,117,147	18,442,381	17,430,733
TOTAL LIABILITIES AND EQUITY	195,552,522	189,828,215	164,816,685	162,238,461
<u>COMMITMENTS AND CONTINGENCIES</u>				
	A30 163,004,495	150,080,124	156,405,399	143,994,304
Net asset per share attributable to ordinary equity holders of the parent (RM) *	11.09	10.32	9.02	8.52

* The Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Equity (excluding Minority Interest) divided by total number of ordinary shares in circulation.

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Statements of Income
For The Financial Year Ended 30 June 2017

	Note	The Group			
		Current Quarter Ended 30/06/2017 RM'000	Corresponding Quarter Ended 30/06/2016 RM'000	Current Year Ended 30/06/2017 RM'000	Corresponding Year Ended 30/06/2016 RM'000
Interest income	A20	1,542,190	1,567,049	6,163,134	6,303,462
Interest expense	A21	(813,179)	(904,117)	(3,308,727)	(3,648,378)
Net interest income		729,011	662,932	2,854,407	2,655,084
Net income from Islamic Banking business	A22	142,801	121,146	550,099	467,466
Other operating income	A23	280,106	294,805	1,146,143	1,055,312
Net income		1,151,918	1,078,883	4,550,649	4,177,862
Other operating expenses	A24	(515,273)	(493,855)	(2,007,523)	(2,086,800)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	636,645	585,028	2,543,126	2,091,062
Write back of impairment losses on financial investments		(63,671)	51,357	(161,159)	(52,606)
		1,393	2,708	2,222	9,838
		574,367	639,093	2,384,189	2,048,294
Share of profit after tax of equity accounted associated company		101,100	79,083	342,910	312,178
Share of profit after tax of equity accounted joint venture		4,492	6,237	21,153	21,227
Profit before taxation		679,959	724,413	2,748,252	2,381,699
Taxation	B5	(197,042)	(165,869)	(603,236)	(478,282)
Net profit for the financial year		482,917	558,544	2,145,016	1,903,417
Attributable to:					
Owners of the parent		482,917	558,544	2,145,016	1,903,417
Earnings per share - basic (sen)	B13(a)	23.6	29.3	104.9	99.8
Earnings per share - fully diluted (sen)	B13(b)	23.6	29.3	104.8	99.8

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HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Year Ended 30 June 2017

	The Group			
	Current Quarter Ended 30/06/2017 RM'000	Corresponding Quarter Ended 30/06/2016 RM'000	Current Year Ended 30/06/2017 RM'000	Corresponding Year Ended 30/06/2016 RM'000
Net profit for the financial year	482,917	558,544	2,145,016	1,903,417
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss)/income of associated company	(7,556)	(2,912)	(14,501)	4,525
Currency translation differences	(88,204)	90,950	226,877	170,499
Net fair value changes on financial investments available-for-sale	259,910	58,409	50,990	135,027
Net fair value changes in cash flow hedge	(435)	(562)	856	(2,477)
Income tax relating to components of other comprehensive income	(61,800)	(11,836)	(12,585)	(28,611)
Other comprehensive income for the financial year, net of tax	101,915	134,049	251,637	278,963
Total comprehensive income for the financial year	<u>584,832</u>	<u>692,593</u>	<u>2,396,653</u>	<u>2,182,380</u>
Attributable to:				
- Owners of the parent	<u>584,832</u>	<u>692,593</u>	<u>2,396,653</u>	<u>2,182,380</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Year Ended 30 June 2017

	Note	The Bank			
		Current Quarter Ended 30/06/2017 RM'000	Corresponding Quarter Ended 30/06/2016 RM'000	Current Year Ended 30/06/2017 RM'000	Corresponding Year Ended 30/06/2016 RM'000
Interest income	A20	1,516,870	1,550,593	6,072,889	6,270,116
Interest expense	A21	(802,951)	(901,786)	(3,271,875)	(3,673,773)
Net interest income		713,919	648,807	2,801,014	2,596,343
Other operating income	A23	404,848	293,163	1,390,282	1,292,459
Net income		1,118,767	941,970	4,191,296	3,888,802
Other operating expenses	A24	(443,904)	(428,696)	(1,736,002)	(1,835,714)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A25	674,863	513,274	2,455,294	2,053,088
Write back of impairment losses on financial investments		(38,048)	45,566	(109,273)	(38,063)
		1,393	2,708	1,106	9,838
Profit before taxation		638,208	561,548	2,347,127	2,024,863
Taxation	B5	(217,805)	(142,375)	(603,076)	(420,269)
Net profit for the financial year		420,403	419,173	1,744,051	1,604,594
Attributable to:					
Owners of the parent		420,403	419,173	1,744,051	1,604,594
Earnings per share - basic (sen)	B13(a)	20.6	22.0	85.3	84.1
Earnings per share - fully diluted (sen)	B13(b)	20.5	22.0	85.2	84.1

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HONG LEONG BANK BERHAD
(97141-X)
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Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Year Ended 30 June 2017

	The Bank			
	Current Quarter Ended 30/06/2017 RM'000	Corresponding Quarter Ended 30/06/2016 RM'000	Current Year Ended 30/06/2017 RM'000	Corresponding Year Ended 30/06/2016 RM'000
Net profit for the financial year	420,403	419,173	1,744,051	1,604,594
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(20,248)	48,845	44,456	158,739
Net fair value changes on financial investments available-for-sale	249,143	53,855	67,005	122,407
Net fair value changes in cash flow hedge	(435)	(562)	856	(2,477)
Income tax relating to components of other comprehensive income	(59,318)	(10,865)	(16,333)	(25,869)
Other comprehensive income for the financial year, net of tax	169,142	91,273	95,984	252,800
Total comprehensive income for the financial year	589,545	510,446	1,840,035	1,857,394

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.

HONG LEONG BANK BERHAD

(97141-X)

(Incorporated in Malaysia)

Condensed Financial Statements

Unaudited Statements of Changes in Equity For The Financial Year Ended 30 June 2017

Attributable to owners of the parent

The Group	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserves ** RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2016	2,167,718	5,571,345	3,920,716	318,319	(1,718)	10,205	598,772	854,465	8,412,365	(735,040)	21,117,147
<u>Comprehensive income</u>											
Net profit for the financial year	-	-	-	-	-	-	-	-	2,145,016	-	2,145,016
- Share of other comprehensive loss of associated company	-	-	-	(14,501)	-	-	-	-	-	-	(14,501)
- Net fair value changes in financial investments available-for-sale	-	-	-	38,611	-	-	-	-	-	-	38,611
- Net fair value changes in cash flow hedge	-	-	-	-	650	-	-	-	-	-	650
- Currency translation differences	-	-	-	-	-	-	-	226,877	-	-	226,877
Total comprehensive income	-	-	-	24,110	650	-	-	226,877	2,145,016	-	2,396,653
<u>Transactions with owners</u>											
Transfer to retained profits	-	-	(3,920,716)	-	-	-	-	-	3,920,716	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	79,711	-	(79,711)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(838,658)	-	(838,658)
Transition to no par value regime under the Companies Act 2016 *	5,571,345	(5,571,345)	-	-	-	-	-	-	-	-	-
ESS exercised	-	-	-	-	-	(1,933)	-	-	854	1,079	-
Option charge arising from ESS granted	-	-	-	-	-	10,271	-	-	-	-	10,271
Total transactions with owners	5,571,345	(5,571,345)	(3,920,716)	-	-	8,338	79,711	-	3,003,201	1,079	(828,387)
At 30 June 2017	7,739,063	-	-	342,429	(1,068)	18,543	678,483	1,081,342	13,560,582	(733,961)	22,685,413
At 1 July 2015	1,879,909	2,872,183	3,575,114	207,975	162	-	399,357	683,966	7,819,514	(648,588)	16,789,592
<u>Comprehensive income</u>											
Net profit for the financial year	-	-	-	-	-	-	-	-	1,903,417	-	1,903,417
- Share of other comprehensive income of associated company	-	-	-	4,525	-	-	-	-	-	-	4,525
- Net fair value changes in financial investments available-for-sale	-	-	-	105,819	-	-	-	-	-	-	105,819
- Net fair value changes in cash flow hedge	-	-	-	-	(1,880)	-	-	-	-	-	(1,880)
- Currency translation differences	-	-	-	-	-	-	-	170,499	-	-	170,499
Total comprehensive income/(loss)	-	-	-	110,344	(1,880)	-	-	170,499	1,903,417	-	2,182,380
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	345,602	-	-	-	-	-	(345,602)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	199,415	-	(199,415)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(765,549)	-	(765,549)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Rights issue	287,809	2,699,162	-	-	-	-	-	-	-	(59,935)	2,927,036
Option charge arising from ESS granted	-	-	-	-	-	10,205	-	-	-	-	10,205
Total transactions with owners	287,809	2,699,162	345,602	-	-	10,205	199,415	-	(1,310,566)	(86,452)	2,145,175
At 30 June 2016	2,167,718	5,571,345	3,920,716	318,319	(1,718)	10,205	598,772	854,465	8,412,365	(735,040)	21,117,147

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

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

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HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Year Ended 30 June 2017

	Attributable to owners of the parent										
<u>The Bank</u>	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserve ** RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2016	2,167,718	5,571,345	3,380,604	310,050	(1,718)	10,205	495,008	197,537	6,035,024	(735,040)	17,430,733
<u>Comprehensive income</u>											
Net profit for the financial year	-	-	-	-	-	-	-	-	1,744,051	-	1,744,051
- Net fair value changes in financial investments available-for-sale	-	-	-	50,878	-	-	-	-	-	-	50,878
- Net fair value changes in cash flow hedge	-	-	-	-	650	-	-	-	-	-	650
- Currency translation differences	-	-	-	-	-	-	-	44,456	-	-	44,456
Total comprehensive income	-	-	-	50,878	650	-	-	44,456	1,744,051	-	1,840,035
<u>Transactions with owners</u>											
Transfer to retained profits	-	-	(3,380,604)	-	-	-	-	-	3,380,604	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	76,670	-	(76,670)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(838,658)	-	(838,658)
Transition to no-par value regime under the Companies Act 2016 *	5,571,345	(5,571,345)	-	-	-	-	-	-	-	-	-
ESS exercised	-	-	-	-	-	(1,933)	-	-	854	1,079	-
Option charge arising from ESS granted	-	-	-	-	-	10,271	-	-	-	-	10,271
Total transactions with owners	5,571,345	(5,571,345)	(3,380,604)	-	-	8,338	76,670	-	2,466,130	1,079	(828,387)
At 30 June 2017	7,739,063	-	-	360,928	(1,068)	18,543	571,678	241,993	10,245,205	(733,961)	18,442,381
At 1 July 2015	1,879,909	2,872,183	3,084,249	214,109	162	-	334,138	38,798	5,653,204	(648,588)	13,428,164
<u>Comprehensive income</u>											
Net profit for the financial year	-	-	-	-	-	-	-	-	1,604,594	-	1,604,594
- Net fair value changes in financial investments available-for-sale	-	-	-	95,941	-	-	-	-	-	-	95,941
- Net fair value changes in cash flow hedge	-	-	-	-	(1,880)	-	-	-	-	-	(1,880)
- Currency translation differences	-	-	-	-	-	-	-	158,739	-	-	158,739
Total comprehensive income/(loss)	-	-	-	95,941	(1,880)	-	-	158,739	1,604,594	-	1,857,394
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	296,355	-	-	-	-	-	(296,355)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	160,870	-	(160,870)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(765,549)	-	(765,549)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Rights issue	287,809	2,699,162	-	-	-	-	-	-	-	(59,935)	2,927,036
Option charge arising from ESS granted	-	-	-	-	-	10,205	-	-	-	-	10,205
Total transactions with owners	287,809	2,699,162	296,355	-	-	10,205	160,870	-	(1,222,774)	(86,452)	2,145,175
At 30 June 2016	2,167,718	5,571,345	3,380,604	310,050	(1,718)	10,205	495,008	197,537	6,035,024	(735,040)	17,430,733

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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Year Ended 30 June 2017

	The Group		The Bank	
	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000
Profit before taxation	2,748,252	2,381,699	2,347,127	2,024,863
Adjustments for non-cash items	(904,045)	(481,416)	(876,969)	(445,836)
Operating profit before working capital changes	1,844,207	1,900,283	1,470,158	1,579,027
Changes in working capital:				
Net changes in operating assets	(931,247)	4,686,226	1,431,496	7,778,350
Net changes in operating liabilities	5,539,425	5,849,799	2,502,150	2,408,623
Income taxes and zakat paid	(262,344)	(585,060)	(193,580)	(526,843)
Net cash generated from operating activities	<u>6,190,041</u>	<u>11,851,248</u>	<u>5,210,224</u>	<u>11,239,157</u>
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(1,018,024)	(4,847,580)	(267,494)	(5,774,814)
Net purchases of financial investments held-to-maturity	(934,109)	(1,501,125)	(50,633)	(1,053,757)
Purchase of property and equipment	(158,127)	(340,157)	(147,335)	(165,400)
Net proceeds from sale of property and equipment	3,901	2,224	3,523	2,222
Purchase of intangible assets	(19,530)	(17,919)	(18,613)	(16,518)
Dividends received on financial investments available-for-sale	259,157	200,769	259,157	200,769
Investment in subsidiary company	-	-	-	(168,784)
Dividend from associated company	181,953	97,888	181,953	97,888
Dividend from joint venture	3,428	3,755	3,428	3,755
Dividends from subsidiary companies	-	-	-	103,940
Net cash used in investing activities	<u>(1,681,351)</u>	<u>(6,402,145)</u>	<u>(36,014)</u>	<u>(6,770,699)</u>
Cash flows from financing activities				
Dividends paid	(838,658)	(765,549)	(838,658)	(765,549)
Repayment of USD 300.0 million senior bonds	(1,323,150)	(1,241,100)	(1,323,150)	(1,241,100)
Repayment of Tier 2 subordinated loan	-	(2,200,000)	-	(2,200,000)
Repayment of non-innovative Tier 1 stapled securities	-	(1,400,000)	-	(1,400,000)
Net proceeds from issuance of rights issue	-	2,927,036	-	2,927,036
Purchase of treasury shares	-	(26,517)	-	(26,517)
Interest paid on subordinated obligations	(130,951)	(248,537)	(130,972)	(248,714)
Interest paid on non-innovative Tier 1 stapled securities	-	(70,893)	-	(70,893)
Interest paid on innovative Tier 1 capital securities	(33,727)	(31,143)	(33,727)	(31,143)
Interest paid on recourse obligation on loans sold to Cagamas	(3,851)	-	(3,851)	-
Repayment of borrowings	(388,589)	-	-	-
Net cash used in financing activities	<u>(2,718,926)</u>	<u>(3,056,703)</u>	<u>(2,330,358)</u>	<u>(3,056,880)</u>
Net increase in cash and cash equivalents	1,789,764	2,392,400	2,843,852	1,411,578
Currency translation differences	74,543	188,210	43,650	158,280
Cash and cash equivalents at the beginning of financial year	8,524,566	5,943,956	6,690,848	5,120,990
Cash and cash equivalents at the end of financial year	10,388,873	8,524,566	9,578,350	6,690,848

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Year Ended 30 June 2017

	The Group		The Bank	
	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000
Cash and short-term funds	10,823,310	7,473,964	10,199,194	5,657,847
Deposits and placements with banks and other financial institutions	826,743	2,057,351	393,664	2,151,449
	<u>11,650,053</u>	<u>9,531,315</u>	<u>10,592,858</u>	<u>7,809,296</u>
Less:				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(1,261,180)	(1,006,749)	(1,014,508)	(1,118,448)
	<u>10,388,873</u>	<u>8,524,566</u>	<u>9,578,350</u>	<u>6,690,848</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Issued by Bank Negara Malaysia ("BNM") on 28 January 2015

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL YEAR ENDED 30 JUNE 2017**

A1 Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 2017 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and Hong Leong Bank Berhad ("HLB" or "the Bank") for the financial year ended 30 June 2016. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2016.

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

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2016, and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2016:

- (i) Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interests in joint operations
Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
Amendments to MFRS 127 "Equity method in separate financial statements"
Amendments to MFRS 10, 12 & 128 "Investment entities – Applying the consolidation exception"
Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above amendments to MFRSs are not expected to have impact on the financial results of the Group and the Bank.

- (ii) Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except Section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and the Bank upon the commencement of the New Act on 31 January 2017 are:

- (a) removal of the authorised share capital;
- (b) shares of the Group and the Bank will cease to have par or nominal value; and
- (c) the Group and the Bank's share premium account will become part of the Group and the Bank's share capital.

Notwithstanding this provision, the Group and the Bank may within 24 months from the commencement of the New Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A1 Basis of preparation (continued)

(ii) Companies Act 2016 (continued)

The adoption of the New Act does not have any financial impact on the Group and the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 30 June 2017.

(iii) Significant changes in regulatory requirements

BNM has issued the policy document on Capital Funds which came into effect on 3 May 2017. The policy document has been updated to remove the requirement for a banking institution to maintain a reserve fund.

BNM expects banking institutions to exercise prudence before submitting an application to distribute the reserves as dividends. BNM in considering the dividend application, shall consider, among others, the banking institution's ability to comply with the fully phased-in capital conservation buffer requirement and any other buffers that the BNM may specify.

During the financial year, the Group and the Bank have transferred RM3,920,716,000 and RM3,380,604,000 respectively from its statutory reserve to retained profits in accordance with BNM's requirements.

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

A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2016

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2016.

A3 Seasonality or cyclicity of operations

The business operations of the Group and the Bank have not been affected by any material seasonal and cyclical factors.

A4 Exceptional items or unusual events affecting financial statements

There were no exceptional items or unusual events that materially affected the financial statements.

A5 Variation from financial estimates reported in preceding financial year

There were no changes in estimates of amounts reported in the prior financial year that may have a material effect in the current year.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy-back and share cancellations, or resale of shares held as treasury shares during the financial year ended 30 June 2017:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 30 June 2017 amounted to 81,101,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

b) Purchase of shares pursuant to Executive Share Scheme ("ESS")

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

During the financial year ended 30 June 2017, the trust did not purchase any new shares. As at 30 June 2017, the total number of Treasury Shares for ESS was reduced from 41,162,900 to 41,016,542 following the vesting and transferring of 146,358 ordinary shares pursuant to the Bank's ESS. The Treasury Shares have an average carrying value of RM7.37 per share.

The Bank has granted the following conditional incentive share options to eligible executives of the Bank and its subsidiary pursuant to the Bank's ESS:

- (i) Up to 37,550,000 share options at an exercise price of RM14.24 (the exercise price was adjusted to RM13.77 following the Rights Issue in December 2015); and
- (ii) 782,657 share options arising from the Rights Issue.

The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2018 ("FY 2018"). The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of FY 2018.

On 23 November 2016, the Bank has granted 696,946 ordinary shares in HLB to an eligible executive of the Bank pursuant to the Bank's ESS. The vesting of the 696,946 free ordinary shares in HLB will be done in tranches over a period of 4 years from the date of the grant.

During the financial year ended 30 June 2017, a total of 4,911,286 share options lapsed arising from the resignation of some option holders and a total of 146,358 ordinary shares were vested and transferred pursuant to the Bank's ESS.

d) Repayment of debt and equity securities

On 19 April 2017, the Bank had fully redeemed the USD300.0 million Senior Unsecured Notes on its maturity date.

A7 Dividends paid

A final single tier dividend of 26.0 sen per share in respect of financial year ended 30 June 2016 amounting to RM531.8 million was paid on 17 November 2016.

An interim single tier dividend of 15.0 sen per share in respect of financial year ended 30 June 2017 amounting to RM306.8 million was paid on 23 March 2017.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Government treasury bills	-	119,332	-	119,332
Malaysian Government securities	433,166	103,737	433,166	103,737
Malaysian Government investment certificates	684,572	320,952	511,679	175,880
Negotiable instruments of deposit	3,946,521	3,836,858	4,027,953	3,786,977
Cagamas bonds	1,013	55,474	1,013	55,474
Other Government securities	47,996	-	47,996	-
	<u>5,113,268</u>	<u>4,436,353</u>	<u>5,021,807</u>	<u>4,241,400</u>
Quoted securities:				
Shares outside Malaysia	-	1,804	-	1,804
Foreign currency bonds in Malaysia	195,592	488,718	195,592	488,718
Foreign currency bonds outside Malaysia	62,860	63,765	62,860	63,765
Unquoted securities:				
Malaysian Government sukuk	191,394	-	-	-
Corporate bonds and sukuk	96,525	266,600	96,525	266,600
Foreign currency bonds in Malaysia	-	53,001	-	53,001
Foreign currency bonds outside Malaysia	28,526	-	28,526	-
Total financial assets held-for-trading	<u><u>5,688,165</u></u>	<u><u>5,310,241</u></u>	<u><u>5,405,310</u></u>	<u><u>5,115,288</u></u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Government treasury bills	-	69,206	-	69,206
Malaysian Government securities	130,659	359,838	130,659	359,838
Malaysian Government investment certificates	4,385,118	3,516,462	3,086,177	2,589,817
Other Government securities	329,592	304,667	239,189	230,370
Cagamas bonds	1,388,060	1,004,303	1,247,119	792,060
Khazanah bonds	406,904	334,686	406,904	334,686
	<u>6,640,333</u>	<u>5,589,162</u>	<u>5,110,048</u>	<u>4,375,977</u>
Quoted securities:				
Shares outside Malaysia	27	26	27	26
Wholesale fund/unit trust	5,203,264	6,532,411	5,203,264	6,532,411
Foreign currency bonds in Malaysia	3,056,104	3,606,238	3,043,838	3,513,465
Foreign currency bonds outside Malaysia	1,818,131	1,503,835	1,818,131	1,503,835
Unquoted securities:				
Malaysian Government sukuk	2,040,793	820,552	1,849,179	789,745
Corporate bonds and sukuk	7,508,144	5,777,202	6,474,372	5,086,861
Shares in Malaysia	454,740	422,926	454,740	422,926
Shares outside Malaysia	149,361	4,402	149,361	4,402
Foreign currency bonds in Malaysia	294,300	1,125,156	294,300	1,125,156
Foreign currency bonds outside Malaysia	489,020	501,408	489,020	501,408
Total financial investments available-for-sale	<u>27,654,217</u>	<u>25,883,318</u>	<u>24,886,280</u>	<u>23,856,212</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>
Money market instruments:				
Government treasury bills	57,367	54,922	57,367	54,922
Malaysian Government securities	2,553,716	3,322,664	2,553,716	3,322,664
Malaysian Government investment certificates	8,964,061	7,465,559	6,661,173	5,315,317
Cagamas bonds	-	30,356	-	20,128
Negotiable instruments of deposit	-	-	-	501,951
Other Government securities	484,230	337,236	390,232	239,886
	<u>12,059,374</u>	<u>11,210,737</u>	<u>9,662,488</u>	<u>9,454,868</u>
Unquoted securities:				
Loan stocks	48	48	48	48
Malaysian Government sukuk	814,591	470,220	559,666	460,039
Corporate bonds and sukuk	486	486	486	486
Redeemable preference shares	32,066	32,066	32,066	32,066
Foreign currency bonds outside Malaysia	154,039	58,277	154,039	58,277
	<u>1,001,230</u>	<u>561,097</u>	<u>746,305</u>	<u>550,916</u>
Total financial investments held-to-maturity	<u><u>13,060,604</u></u>	<u><u>11,771,834</u></u>	<u><u>10,408,793</u></u>	<u><u>10,005,784</u></u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>
Overdrafts	3,776,243	3,857,485	3,346,825	3,550,226
Term loans/financing:				
- Housing and shop loans/financing	65,998,057	60,462,347	54,037,251	50,023,207
- Syndicated/term loans or financing	9,225,253	9,339,212	7,773,693	7,814,485
- Hire purchase receivables	18,159,364	18,682,098	14,588,595	15,163,055
- Other term loans/financing	7,898,856	8,232,653	5,739,809	6,406,492
Credit/charge card receivables	3,997,701	3,755,348	3,997,701	3,755,348
Bills receivable	1,081,635	1,107,690	1,000,654	1,083,449
Trust receipts	314,042	381,531	265,020	308,869
Claims on customers under acceptance credits	7,451,325	7,439,144	6,967,783	6,962,934
Revolving credit	6,611,688	6,757,003	5,171,465	5,406,314
Staff loans/financing	146,672	164,843	141,834	153,926
Other loans/financing	485,668	425,282	485,664	425,276
Gross loans, advances and financing	<u>125,146,504</u>	<u>120,604,636</u>	<u>103,516,294</u>	<u>101,053,581</u>
Fair value changes arising from fair value hedges	(34)	-	(34)	-
Unamortised fair value changes arising from terminated fair value hedges	(36)	(784)	-	26
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(830,067)	(856,057)	(666,787)	(714,272)
- Individual assessment allowance	(325,426)	(289,744)	(310,923)	(280,216)
Total net loans, advances and financing	<u><u>123,990,941</u></u>	<u><u>119,458,051</u></u>	<u><u>102,538,550</u></u>	<u><u>100,059,119</u></u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM184,571,000 (2016: RM Nil) and RM184,571,000 (2016: RM Nil) respectively.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A11 Loans, advances and financing (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic financial institutions	-	47	-	47
Domestic non-bank financial institutions	651,907	600,249	226,859	85,824
Domestic business enterprises:				
- small and medium enterprises	20,377,235	19,226,349	17,888,565	16,898,660
- others	15,370,541	16,882,388	12,440,268	14,205,786
Government and statutory bodies	29,072	24,804	17,492	13,029
Individuals	81,370,008	76,927,972	65,852,784	63,228,460
Other domestic entities	79,052	75,714	21,655	37,900
Foreign entities	7,268,689	6,867,113	7,068,671	6,583,875
Gross loans, advances and financing	<u>125,146,504</u>	<u>120,604,636</u>	<u>103,516,294</u>	<u>101,053,581</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed rate:				
- Housing and shop loans/financing	4,753,906	2,604,333	3,371,016	1,534,310
- Hire purchase receivables	17,747,828	18,200,640	14,177,059	14,681,597
- Other fixed rate loan/financing	6,928,471	7,468,585	5,818,422	6,247,122
Variable rate:				
- Base rate/base lending rate plus	78,636,505	75,993,221	66,091,018	64,400,280
- Cost plus	16,681,983	15,950,281	14,058,779	14,190,272
- Other variables rates	397,811	387,576	-	-
Gross loans, advances and financing	<u>125,146,504</u>	<u>120,604,636</u>	<u>103,516,294</u>	<u>101,053,581</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	490,252	517,518	486,882	511,065
Purchase of transport vehicles	17,583,583	18,445,557	13,949,451	14,875,758
Purchase of landed properties				
- residential	56,860,638	51,509,733	46,001,510	42,100,556
- non-residential	15,774,407	14,986,782	14,427,100	13,479,691
Purchase of fixed assets (excluding landed properties)	379,050	434,041	326,595	387,990
Personal use	3,563,125	3,766,429	2,611,693	3,031,505
Credit card	3,997,701	3,755,348	3,997,701	3,755,348
Purchase of consumer durables	-	387	-	387
Construction	1,238,539	1,386,003	894,464	1,157,355
Mergers and acquisition	201,182	233,364	201,182	233,364
Working capital	23,190,404	23,495,814	19,087,337	19,718,753
Other purpose	1,867,623	2,073,660	1,532,379	1,801,809
Gross loans, advances and financing	<u>125,146,504</u>	<u>120,604,636</u>	<u>103,516,294</u>	<u>101,053,581</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	118,561,256	114,977,964	98,137,161	96,340,452
Singapore	5,379,133	4,678,961	5,379,133	4,678,961
Hong Kong	-	34,168	-	34,168
Vietnam	397,813	387,576	-	-
Cambodia	808,302	525,967	-	-
Gross loans, advances and financing	<u>125,146,504</u>	<u>120,604,636</u>	<u>103,516,294</u>	<u>101,053,581</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	26,570,075	26,924,890	23,576,443	24,539,703
One year to less than three years	5,481,213	5,370,116	4,617,290	4,373,344
Three years to less than five years	10,265,641	10,710,736	8,396,767	8,859,782
Five years and more	82,829,575	77,598,894	66,925,794	63,280,752
Gross loans, advances and financing	<u>125,146,504</u>	<u>120,604,636</u>	<u>103,516,294</u>	<u>101,053,581</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	2,196	225	2,196	225
Purchase of transport vehicles	142,643	145,428	108,758	112,704
Purchase of landed properties				
- residential	306,758	233,092	225,075	164,739
- non-residential	133,296	99,145	131,408	96,437
Purchase of fixed assets (excluding landed properties)	3,332	22,872	2,101	21,623
Personal use	44,066	36,909	34,086	31,877
Credit card	48,005	44,308	48,005	44,308
Construction	7,209	9,138	5,399	7,131
Working capital	499,734	346,555	444,903	338,767
Other purpose	16,201	18,907	16,051	18,757
Gross impaired loans, advances and financing	<u>1,203,440</u>	<u>956,579</u>	<u>1,017,982</u>	<u>836,568</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>
Malaysia	1,197,355	942,633	1,017,511	830,967
Singapore	471	5,601	471	5,601
Vietnam	5,098	8,345	-	-
Cambodia	516	-	-	-
Gross impaired loans, advances and financing	<u>1,203,440</u>	<u>956,579</u>	<u>1,017,982</u>	<u>836,568</u>

A11h Movements in impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2016</u> <u>RM'000</u>
At 1 July	956,579	947,960	836,568	822,800
Classified as impaired during the financial year	1,813,591	1,572,186	1,466,120	1,322,139
Reclassified as non-impaired during the financial year	(821,519)	(798,443)	(639,505)	(638,653)
Amount written back in respect of recoveries	(336,403)	(338,843)	(285,379)	(289,007)
Amount written off	(407,656)	(426,479)	(358,292)	(380,388)
Exchange difference	(1,152)	198	(1,530)	(323)
At 30 June	<u>1,203,440</u>	<u>956,579</u>	<u>1,017,982</u>	<u>836,568</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>1.0%</u>	<u>0.8%</u>	<u>1.0%</u>	<u>0.8%</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A11 Loans, advances and financing (continued)

A11i Movements in allowance for impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Collective Assessment Allowance</u>				
At 1 July	856,057	969,033	714,272	822,488
Net allowances made during the financial year	283,057	263,656	217,958	227,755
Amount transferred to individual assessment	(729)	(109)	(744)	(109)
Amount written off	(298,120)	(365,615)	(256,059)	(326,899)
Unwinding income	(10,732)	(11,465)	(8,911)	(9,389)
Exchange difference	534	557	271	426
At 30 June	<u>830,067</u>	<u>856,057</u>	<u>666,787</u>	<u>714,272</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>
<u>Individual Assessment Allowance</u>				
At 1 July	289,744	322,960	280,216	305,924
Allowances made during the financial year	162,669	57,180	149,891	55,552
Amount transferred from collective assessment	729	109	744	109
Amount transferred to allowance for impairment losses on securities	-	(2,566)	-	(1,450)
Amount written back in respect of recoveries	(46,433)	(61,626)	(42,003)	(56,638)
Amount written off	(72,260)	(22,004)	(68,890)	(19,037)
Unwinding income	(8,741)	(4,404)	(8,712)	(4,203)
Exchange difference	(282)	95	(323)	(41)
At 30 June	<u>325,426</u>	<u>289,744</u>	<u>310,923</u>	<u>280,216</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Foreclosed properties	46	46	46	46
Sundry debtors and other prepayments	154,350	280,940	144,081	272,313
Treasury related receivables	457,935	629,659	393,525	459,522
Cash collateral pledged for derivative transactions	653,625	657,620	653,625	657,620
Other receivables	141,775	134,898	118,062	44,030
	<u>1,407,731</u>	<u>1,703,163</u>	<u>1,309,339</u>	<u>1,433,531</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Amortised cost				
Fixed deposits	87,976,350	84,718,710	71,583,689	72,777,468
Negotiable instruments of deposits	5,713,184	7,816,740	4,913,965	6,438,947
Short-term placements	19,281,420	16,438,300	17,987,726	13,452,725
	<u>112,970,954</u>	<u>108,973,750</u>	<u>94,485,380</u>	<u>92,669,140</u>
Demand deposits	21,232,553	20,603,371	18,142,847	17,673,888
Saving deposits	17,531,603	16,581,413	14,701,048	13,976,887
Others	1,017,170	943,461	901,445	910,078
	<u>152,752,280</u>	<u>147,101,995</u>	<u>128,230,720</u>	<u>125,229,993</u>
At fair value through profit and loss				
Callable range accrual notes, at cost	2,442,012	1,442,912	1,552,901	1,025,580
Callable inverse floater, at cost	155,851	-	155,851	-
Fair value changes arising from designation at fair value through profit or loss *	(116,938)	(20,993)	(80,069)	(14,796)
	<u>2,480,925</u>	<u>1,421,919</u>	<u>1,628,683</u>	<u>1,010,784</u>
	<u>155,233,205</u>	<u>148,523,914</u>	<u>129,859,403</u>	<u>126,240,777</u>

* The Group and the Bank have issued structured deposits (callable range accrual notes and callable inverse floater) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits that are attributable to the changes in own credit risk are not significant.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A13 Deposits from customers (continued)

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Government and statutory bodies	2,939,005	2,017,632	1,872,815	1,301,940
Business enterprises	63,339,512	62,697,264	49,509,606	48,886,621
Individuals	86,175,897	81,353,056	76,006,815	73,853,739
Others	2,778,791	2,455,962	2,470,167	2,198,477
	<u>155,233,205</u>	<u>148,523,914</u>	<u>129,859,403</u>	<u>126,240,777</u>

A13c The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Due within six months	93,770,712	89,121,480	78,802,850	74,496,461
More than six months to one year	17,376,145	16,791,342	13,904,358	15,132,505
More than one year to five years	1,824,097	3,043,015	1,778,172	3,022,261
More than five years	-	17,913	-	17,913
	<u>112,970,954</u>	<u>108,973,750</u>	<u>94,485,380</u>	<u>92,669,140</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A14 Deposits and placements of banks and other financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Licensed banks	5,484,605	6,201,230	5,460,076	5,813,633
Other financial institutions	2,087	-	-	-
	<u>5,486,692</u>	<u>6,201,230</u>	<u>5,460,076</u>	<u>5,813,633</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short-term)	<u>5,486,692</u>	<u>6,201,230</u>	<u>5,460,076</u>	<u>5,813,633</u>

A15 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Zakat	350	350	-	-
Post employment benefits obligation				
- defined contribution plan	294	291	294	291
Loan advance payment	2,987,067	2,641,139	2,415,873	2,140,340
Amount due to subsidiary companies	-	-	57,820	300,862
Treasury and cheque clearing	129,556	163,202	129,556	163,202
Treasury related payables	235,295	189,958	235,295	188,815
Sundry creditors and accruals	310,745	521,090	283,492	429,544
Provision for bonus and staff related expenses	157,091	109,074	150,118	104,106
Others	232,269	290,825	203,241	208,065
	<u>4,052,667</u>	<u>3,915,929</u>	<u>3,475,689</u>	<u>3,535,225</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A16 Senior bonds

		<u>The Group and The Bank</u>	
		<u>30/06/2017</u>	<u>30/06/2016</u>
		<u>RM'000</u>	<u>RM'000</u>
	Note		
USD 300 million senior bonds, at par	(a)	-	919,200
Foreign exchange translations		-	290,550
		-	1,209,750
Add: Interest payable		-	7,561
		-	1,217,311
Less: Unamortised discounts		-	(1,668)
		-	1,215,643

(a) On 20 April 2012, the Bank completed its inaugural US dollar senior unsecured notes issuance of USD300.0 million (the “Senior Notes”) under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the “Programme”) which was established on 9 April 2012.

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

On 19 April 2017, the Bank had fully redeemed the Senior Notes of USD300.0 million on its maturity date.

A17 Tier 2 subordinated bonds

		<u>The Group</u>		<u>The Bank</u>	
		<u>30/06/2017</u>	<u>30/06/2016</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	Note				
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		1,664	1,480	1,664	1,480
		1,501,664	1,501,480	1,501,664	1,501,480
Less: Unamortised discounts		(277)	(589)	(277)	(589)
		1,501,387	1,500,891	1,501,387	1,500,891
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	400,000	400,000	-	-
Add: Profit payable		631	736	-	-
		400,631	400,736	-	-
Less: Unamortised discounts		(128)	(254)	-	-
		400,503	400,482	-	-
RM500 million Tier 2 subordinated notes, at par	(c)	500,000	500,000	500,000	500,000
Add: Interest payable		526	526	526	526
		500,526	500,526	500,526	500,526
Less: Unamortised discounts		(271)	(577)	(271)	(577)
		500,255	499,949	500,255	499,949
		2,402,145	2,401,322	2,001,642	2,000,840

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A17 Tier 2 subordinated bonds (continued)

- (a) On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

- (b) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Sukuk Ijarah, ranking *pari passu* among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (c) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Subordinated Notes ("Sub Notes") out of its RM10.0 billion Multi-Currency Sub Notes Programme. The RM500.0 million Sub Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub Notes shall be subject to the approval of BNM.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub Notes. The Sub Notes may be written off, either fully or partially, at the discretion of BNM at the point of non-viability as determined by BNM or Perbadanan Insurans Deposit Malaysia. The Sub Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A18 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,771
	<u>512,771</u>	<u>512,771</u>
Less: Unamortised discounts	(4,223)	(5,858)
Fair value adjustments on completion of business combination accounting	7,075	14,599
	<u><u>515,623</u></u>	<u><u>521,512</u></u>

On 10 September 2009, Promino Sdn Bhd ("Promino") issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500.0 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-1 Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of the Group and the Bank.

A19 Borrowings

	<u>The Group</u>	
	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>RM'000</u>	<u>RM'000</u>
Secured		
Bridging loan	-	284,730
Term loan	-	100,000
	<u>-</u>	<u>384,730</u>

Bridging loan and term loan are secured by a deed of assignment assigning all the rights and titles, interests and benefits under the sale and purchase agreements which incorporates the assignment of development rights, including ownership over the property work-in-progress and a third party legal charge on a parcel of freehold land of its related company.

The bridging loan and term loan bear interest ranging from 4.36% to 4.54% per annum and 4.84% to 5.02% per annum (2016: 4.49% to 4.54% per annum and 4.49% to 5.02% per annum) respectively.

On 11 November 2016, DC Tower Sdn Bhd, a wholly-owned subsidiary of the Bank, had fully redeemed and settled the bridging loan and term loan.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A20 Interest income

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Group				
Loan, advances and financing	1,149,830	1,166,997	4,621,500	4,644,584
Money at call and deposit placements with financial institutions	39,320	38,587	129,127	183,034
Securities purchased under resale agreements	220	27,292	35,504	145,767
Financial assets held-for-trading	89,070	114,829	382,427	515,881
Financial investments available-for-sale	171,548	135,862	638,942	502,737
Financial investments held-to-maturity	91,813	83,362	354,968	311,041
Others	389	120	666	418
	<u>1,542,190</u>	<u>1,567,049</u>	<u>6,163,134</u>	<u>6,303,462</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>35,021</u>	<u>13,254</u>	<u>53,446</u>	<u>49,997</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank				
Loan, advances and financing	1,131,249	1,149,697	4,546,702	4,583,409
Money at call and deposit placements with financial institutions	34,565	35,420	116,701	175,119
Securities purchased under resale agreements	220	27,292	35,504	145,767
Financial assets held-for-trading	89,431	116,250	386,508	543,834
Financial investments available-for-sale	170,543	134,933	634,351	497,932
Financial investments held-to-maturity	90,556	86,913	352,683	323,699
Others	306	88	440	356
	<u>1,516,870</u>	<u>1,550,593</u>	<u>6,072,889</u>	<u>6,270,116</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>35,021</u>	<u>13,254</u>	<u>53,446</u>	<u>49,997</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A21 Interest expense

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	28,994	16,470	89,709	73,163
Deposits from customers	656,954	751,153	2,722,998	2,953,038
Short-term placements	90,546	84,365	322,177	307,746
Senior bonds	2,051	9,876	33,764	75,082
Tier 2 subordinated bonds	22,927	27,064	92,117	145,631
Non-innovative Tier 1 stapled securities	-	6,588	-	60,024
Innovative Tier 1 capital securities	9,020	8,312	35,362	32,652
Recourse obligation on loans sold to Cagamas	1,895	-	6,727	-
Borrowings	153	-	3,859	-
Others	639	289	2,014	1,042
	<u>813,179</u>	<u>904,117</u>	<u>3,308,727</u>	<u>3,648,378</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	29,686	17,251	92,010	79,181
Deposits from customers	646,187	748,042	2,687,907	2,972,411
Short-term placements	90,546	84,365	322,177	307,746
Senior bonds	2,051	9,876	33,764	75,082
Tier 2 subordinated bonds	22,943	27,059	92,117	145,631
Non-innovative Tier 1 stapled securities	-	6,588	-	60,024
Innovative Tier 1 capital securities	9,020	8,312	35,362	32,652
Recourse obligation on loans sold to Cagamas	1,895	-	6,727	-
Others	623	293	1,811	1,046
	<u>802,951</u>	<u>901,786</u>	<u>3,271,875</u>	<u>3,673,773</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A22 Net income from Islamic Banking business

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds and others	301,271	250,854	1,108,101	986,299
of which Finance income	300,947	247,846	1,103,706	978,017
of which other operating income	324	3,008	4,395	8,282
Income derived from investment of shareholders' funds	20,704	37,000	128,043	124,306
of which Finance income	13,271	30,087	83,076	85,045
of which other operating income	7,433	6,913	44,967	39,261
Income attributable to depositors	(179,174)	(166,708)	(686,045)	(643,139)
	142,801	121,146	550,099	467,466

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A23 Other operating income

Group	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	43,409	37,106	159,921	147,595
Service charges and fees	12,342	12,825	50,262	51,963
Guarantee fees	3,410	4,457	13,663	17,167
Credit card related fees	55,742	71,951	236,211	256,917
Corporate advisory fees	26	248	2,114	1,009
Commitment fees	8,591	8,376	34,916	34,624
Fee on loans, advances and financing	9,108	14,503	48,261	56,624
Other fee income	17,828	9,103	63,839	50,836
	<u>150,456</u>	<u>158,569</u>	<u>609,187</u>	<u>616,735</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	12,274	16,358	7,321	38,521
Net gain/(loss) from sale of derivative financial instruments	29,604	(7,203)	31,620	(2,149)
Net gain from sale of financial investments available-for-sale	43,602	53,608	60,377	90,339
Net gain from redemption of financial investments held-to-maturity	2	-	37	31
	<u>85,482</u>	<u>62,763</u>	<u>99,355</u>	<u>126,742</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>70,080</u>	<u>68,203</u>	<u>259,157</u>	<u>200,769</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets held-for-trading	2,713	(16,510)	(2,039)	2,728
- Derivatives financial instruments	(54,984)	4,515	70,574	(62,114)
	<u>(52,271)</u>	<u>(11,995)</u>	<u>68,535</u>	<u>(59,386)</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(74)</u>	<u>(42)</u>	<u>(115)</u>	<u>(519)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(12)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
(g) <u>Other income:</u>				
Foreign exchange gain	21,485	12,806	91,170	150,835
Rental income	921	937	3,707	3,798
Gain on disposal of property and equipment	3	9	1,178	1,266
Other non-operating income	4,036	3,555	13,972	15,072
	<u>26,445</u>	<u>17,307</u>	<u>110,027</u>	<u>170,971</u>
Total other operating income	<u>280,106</u>	<u>294,805</u>	<u>1,146,143</u>	<u>1,055,312</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	42,793	36,786	157,776	146,419
Service charges and fees	12,172	12,715	49,603	51,527
Guarantee fees	3,400	4,394	13,597	17,052
Credit card related fees	55,742	71,951	236,211	256,917
Corporate advisory fees	26	248	2,114	1,009
Commitment fees	8,458	8,280	34,479	34,303
Fee on loans, advances and financing	7,644	13,928	43,791	54,026
Other fee income	17,774	9,091	63,573	50,761
	<u>148,009</u>	<u>157,393</u>	<u>601,144</u>	<u>612,014</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets held-for-trading	12,274	16,358	7,321	38,521
Net gain/(loss) from sale of derivative financial instruments	29,604	(7,203)	31,620	(2,149)
Net gain from sale of financial investments available-for-sale	43,602	53,608	59,768	90,339
Net gain from redemption of financial investments held-to-maturity	2	-	37	31
	<u>85,482</u>	<u>62,763</u>	<u>98,746</u>	<u>126,742</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	103,940
Associated company	127,881	-	249,342	134,143
Investment in joint venture	-	-	4,698	5,145
Financial investments available-for-sale	70,080	68,203	259,157	200,769
	<u>197,961</u>	<u>68,203</u>	<u>513,197</u>	<u>443,997</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets held-for-trading	2,713	(16,510)	(2,039)	2,728
- Derivatives financial instruments	(54,984)	4,515	70,574	(62,114)
	<u>(52,271)</u>	<u>(11,995)</u>	<u>68,535</u>	<u>(59,386)</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(74)</u>	<u>(42)</u>	<u>(115)</u>	<u>(519)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(12)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
(g) <u>Other income:</u>				
Foreign exchange gain	20,986	12,409	89,779	149,694
Rental income	921	937	3,707	3,798
Gain on disposal of property and equipment	3	9	1,178	1,266
Other non-operating income	3,843	3,486	14,114	14,853
	<u>25,753</u>	<u>16,841</u>	<u>108,778</u>	<u>169,611</u>
Total other operating income	<u>404,848</u>	<u>293,163</u>	<u>1,390,282</u>	<u>1,292,459</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A24 Other operating expenses

<u>Group</u>	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	245,918	255,876	1,006,908	960,308
- Mutual separation scheme	-	406	-	172,064
- Medical expenses	13,856	8,986	34,660	30,986
- Training and convention expenses	7,755	8,059	29,407	33,498
- Staff welfare	2,468	859	11,086	7,177
- Others	7,611	4,787	30,117	28,578
	<u>277,608</u>	<u>278,973</u>	<u>1,112,178</u>	<u>1,232,611</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	25,069	25,213	91,477	83,512
- Amortisation of intangible assets	18,932	18,306	74,469	72,838
- Rental of premises	19,988	20,969	82,255	84,129
- Information technology expenses	39,431	23,832	147,713	110,367
- Security services	7,712	8,079	28,451	27,686
- Electricity, water and sewerage	6,237	8,640	24,154	26,329
- Hire of plant and machinery	3,664	3,496	14,529	15,409
- Others	4,853	4,045	20,866	18,147
	<u>125,886</u>	<u>112,580</u>	<u>483,914</u>	<u>438,417</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	9,167	1,593	31,029	27,139
- Credit card related fees	27,954	28,894	108,998	119,434
- Others	4,164	4,152	15,571	15,826
	<u>41,285</u>	<u>34,639</u>	<u>155,598</u>	<u>162,399</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,724	3,690	17,123	12,979
- Stationery and printing expenses	4,475	3,792	16,454	16,664
- Professional fees	21,899	22,264	73,986	75,605
- Insurance fees	10,115	9,408	40,175	38,124
- Stamp, postage and courier	4,442	6,352	18,572	20,892
- Travelling and transport expenses	991	1,294	4,077	4,791
- Registration and license fees	2,254	2,226	9,117	8,707
- Brokerage and commission	1,759	1,819	6,681	6,723
- Credit card fees	10,423	8,874	39,331	36,327
- Others	9,412	7,944	30,317	32,561
	<u>70,494</u>	<u>67,663</u>	<u>255,833</u>	<u>253,373</u>
	<u>515,273</u>	<u>493,855</u>	<u>2,007,523</u>	<u>2,086,800</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A24 Other operating expenses (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	202,988	215,041	835,520	805,139
- Mutual separation scheme	-	86	-	167,160
- Medical expenses	11,523	7,775	29,061	26,482
- Training and convention expenses	6,782	7,151	26,064	29,912
- Staff welfare	2,091	582	9,510	6,025
- Others	5,904	3,597	23,503	23,025
	229,288	234,232	923,658	1,057,743
<u>Establishment costs</u>				
- Depreciation of property and equipment	23,381	23,778	84,925	77,617
- Amortisation of intangible assets	17,797	17,410	70,504	69,148
- Rental of premises	16,175	17,412	66,719	70,020
- Information technology expenses	35,898	20,528	133,385	100,071
- Security services	6,311	6,636	22,988	22,422
- Electricity, water and sewerage	5,360	7,512	20,783	22,935
- Hire of plant and machinery	3,443	3,331	13,661	14,704
- Others	1,509	271	5,372	4,713
	109,874	96,878	418,337	381,630
<u>Marketing expenses</u>				
- Advertisement and publicity	7,937	858	28,026	23,875
- Credit card related fees	27,954	28,894	108,998	119,434
- Others	3,361	3,391	12,996	13,107
	39,252	33,143	150,020	156,416
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,631	3,587	16,769	12,584
- Stationery and printing expenses	4,300	3,635	15,829	16,071
- Professional fees	21,118	21,518	71,264	73,187
- Insurance fees	8,730	8,371	35,363	34,205
- Stamp, postage and courier	4,360	6,203	18,232	20,582
- Travelling and transport expenses	660	1,014	2,927	3,682
- Registration and license fees	2,003	1,996	8,111	7,759
- Brokerage and commission	988	921	3,569	3,945
- Credit card fees	10,423	8,874	39,331	36,327
- Others	8,277	8,324	32,592	31,583
	65,490	64,443	243,987	239,925
	443,904	428,696	1,736,002	1,835,714

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A25 Allowance for/(write back of) impairment losses on loans, advances and financing

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	53,285	(3,294)	283,057	263,656
- individual assessment allowance	79,012	10,738	116,236	(4,446)
Impaired loans and financing:				
- written off	5,939	5,232	22,508	22,054
- recovered from bad debt written off	(74,565)	(64,033)	(260,642)	(228,658)
	<u>63,671</u>	<u>(51,357)</u>	<u>161,159</u>	<u>52,606</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	25,610	(3,315)	217,958	227,755
- individual assessment allowance	75,413	10,682	107,888	(1,086)
Impaired loans and financing:				
- written off	4,599	4,750	19,114	17,482
- recovered from bad debt written off	(67,574)	(57,683)	(235,687)	(206,088)
	<u>38,048</u>	<u>(45,566)</u>	<u>109,273</u>	<u>38,063</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A26 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012 and its revised version on 13 October 2015 (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. There is no BNM announcement on the CCyB rates yet.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to.

- (a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	Financial Year Ended 30/06/2017	Financial Year Ended 30/06/2016	Financial Year Ended 30/06/2017	Financial Year Ended 30/06/2016
Before deducting proposed dividends				
CET I capital ratio	13.788%	13.176%	13.078%	12.493%
Tier I capital ratio	14.193%	13.577%	13.556%	12.961%
Total capital ratio	<u>16.280%</u>	<u>15.104%</u>	<u>15.997%</u>	<u>14.858%</u>
After deducting proposed dividends				
CET I capital ratio	13.286%	12.745%	12.486%	11.991%
Tier I capital ratio	13.691%	13.146%	12.964%	12.458%
Total capital ratio	<u>15.779%</u>	<u>14.673%</u>	<u>15.405%</u>	<u>14.355%</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A26 Capital adequacy (continued)

(b) The components of CET 1, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	The Group		The Bank	
	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000
CET I capital				
Paid-up share capital	7,739,063	2,167,718	7,739,063	2,167,718
Share premium	-	5,571,345	-	5,571,345
Retained profits	13,560,582	8,412,365	10,245,205	6,035,024
Other reserves	1,265,223	4,939,875	422,954	3,727,869
Less: Treasury shares	(733,961)	(735,040)	(733,961)	(735,040)
Less: Deferred tax assets	(4,851)	(3,957)	-	-
Less: Other intangible assets	(213,323)	(264,766)	(194,870)	(246,784)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(2,908,861)	(1,993,586)	(2,148,516)	(1,531,798)
Total CET I capital	16,872,560	16,262,642	13,558,328	13,216,787
Additional Tier I capital				
Innovative Tier I capital securities	495,778	494,142	495,778	494,142
Total Tier I capital	17,368,338	16,756,784	14,054,106	13,710,929
Tier II capital				
Collective assessment allowance [^] and regulatory reserves #	1,281,686	1,214,681	1,067,705	1,029,079
Subordinated bonds	1,999,723	1,999,411	1,999,723	1,999,411
Tier II capital before regulatory adjustments	3,281,409	3,214,092	3,067,428	3,028,490
Less : Investment in subsidiary companies/ associated company/joint venture	(727,215)	(1,329,057)	(537,129)	(1,021,198)
Total Tier II capital	2,554,194	1,885,035	2,530,299	2,007,292
Total capital	19,922,532	18,641,819	16,584,405	15,718,221

[^] Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM667,238,000 (2016: RM587,527,000) and RM571,678,000 (2016: RM495,008,000) respectively.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A26 Capital adequacy (continued)

(c) The breakdown of RWA by each major risk category is as follows:

	The Group		The Bank	
	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000
Credit risk	111,299,987	111,838,090	93,397,418	95,233,431
Market risk	3,115,525	3,951,986	3,340,119	3,857,577
Operational risk	7,958,340	7,633,295	6,934,552	6,698,869
Total RWA	122,373,852	123,423,371	103,672,089	105,789,877

(d) The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	Hong Leong Islamic Bank Berhad	
	Financial Year Ended 30/06/2017	Financial Year Ended 30/06/2016
Before deducting proposed dividends		
CET I capital ratio	10.622%	10.383%
Tier I capital ratio	10.622%	10.383%
Total capital ratio	13.946%	13.855%
After deducting proposed dividends		
CET I capital ratio	10.622%	10.383%
Tier I capital ratio	10.622%	10.383%
Total capital ratio	13.946%	13.855%

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A27 Group segmental reporting on revenue, profit and assets

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products and services offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associate, Joint Venture and Representative Office. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other business segments.

Financial quarter ended 30/06/2017

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	650,245	174,218	287,826	58,822	108,553	(127,746)	1,151,918
Inter-segment revenue	91	98,693	(188,152)	-	89,368	-	-
Segment revenue	<u>650,336</u>	<u>272,911</u>	<u>99,674</u>	<u>58,822</u>	<u>197,921</u>	<u>(127,746)</u>	<u>1,151,918</u>
Segment profit before taxation *	253,191	135,015	68,857	8,216	236,709	(127,621)	574,367
Share of profit after tax of equity accounted associated company				101,100			101,100
Share of profit after tax of equity accounted joint venture				4,492			4,492
Profit before taxation							<u>679,959</u>
Taxation							(197,042)
Profit after taxation							<u><u>482,917</u></u>

* Effective this financial year, certain product revenue i.e. foreign exchange income which was previously recognised under Global Markets, is now being shared among Personal Financial Services and Business & Corporate Banking segments.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A27 Group segmental reporting on revenue, profit and assets (continued)

Financial year ended 30/06/2017

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	2,574,044	681,259	1,275,147	233,649	40,471	(253,921)	4,550,649
Inter-segment revenue	(48,016)	413,286	(754,687)	-	389,417	-	-
Segment revenue	<u>2,526,028</u>	<u>1,094,545</u>	<u>520,460</u>	<u>233,649</u>	<u>429,888</u>	<u>(253,921)</u>	<u>4,550,649</u>
Segment profit before taxation *	1,119,852	718,386	405,949	36,241	356,212	(252,451)	2,384,189
Share of profit after tax of equity accounted associated company				342,910			342,910
Share of profit after tax of equity accounted joint venture				21,153			21,153
Profit before taxation							<u>2,748,252</u>
Taxation							<u>(603,236)</u>
Profit after taxation							<u>2,145,016</u>
Segment assets	87,715,416	30,023,755	55,644,489	12,140,376	-	-	185,524,036
Unallocated assets							10,028,486
Total assets							<u>195,552,522</u>

* Effective this financial year, certain product revenue i.e. foreign exchange income which was previously recognised under Global Markets, is now being shared among Personal Financial Services and Business & Corporate Banking segments.

Corresponding quarter ended 30/06/2016

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	613,035	123,538	359,286	58,224	(75,336)	136	1,078,883
Inter-segment revenue	(14,969)	111,794	(183,972)	-	87,147	-	-
Segment revenue	<u>598,066</u>	<u>235,332</u>	<u>175,314</u>	<u>58,224</u>	<u>11,811</u>	<u>136</u>	<u>1,078,883</u>
Segment profit before taxation	347,627	150,936	148,642	12,531	(21,069)	426	639,093
Share of profit after tax of equity accounted associated company				79,083			79,083
Share of profit after tax of equity accounted joint venture				6,237			6,237
Profit before taxation							<u>724,413</u>
Taxation							<u>(165,869)</u>
Profit after taxation							<u>558,544</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A27 Group segmental reporting on revenue, profit and assets (continued)

Corresponding financial year ended 30/06/2016

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	2,568,774	456,826	1,358,805	218,177	(182,079)	(242,641)	4,177,862
Inter-segment revenue	(218,444)	493,542	(749,448)	-	474,350	-	-
Segment revenue	<u>2,350,330</u>	<u>950,368</u>	<u>609,357</u>	<u>218,177</u>	<u>292,271</u>	<u>(242,641)</u>	<u>4,177,862</u>
Segment profit before taxation	995,000	684,048	504,634	24,788	81,826	(242,002)	2,048,294
Share of profit after tax of equity accounted associated company				312,178			312,178
Share of profit after tax of equity accounted joint venture				21,227			21,227
Profit before taxation							<u>2,381,699</u>
Taxation							(478,282)
Profit after taxation							<u>1,903,417</u>
Segment assets	83,495,783	30,868,878	55,173,253	11,250,947	-	-	180,788,861
Unallocated assets							9,039,354
Total assets							<u>189,828,215</u>

A28 Property and equipment

The valuations of land and building had been brought forward without amendment from the previous audited annual financial statements.

A29(a) Material events subsequent to the end of the reporting year

There are no material events subsequent to the end of the financial year ended 30 June 2017.

A29(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial year and up to the date of this report except for the following:

- (i) Wah Tat Nominees (Asing) Sdn Bhd, an indirect wholly-owned subsidiary of the Bank, was dissolved on 6 April 2017.
- (ii) Prominic Berhad, a wholly-owned subsidiary of the Bank, was dissolved on 17 May 2017.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A30 Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional amounts of the commitments and contingencies constitute the following:

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Principal amount				
Direct credit substitutes	81,785	120,678	28,387	116,441
Certain transaction related contingent items	1,391,110	1,621,014	1,285,746	1,519,689
Short-term self liquidating trade related contingencies	769,864	766,350	733,985	737,179
Irrevocable commitments to extend credit:				
- maturity more than one year	13,257,147	16,125,180	9,601,053	12,612,922
- maturity less than one year	16,097,927	17,512,946	14,562,467	15,734,240
Foreign exchange related contracts:				
- less than one year	35,909,765	27,999,735	35,531,864	27,144,612
- one year to less than five years	3,646,999	4,950,940	3,646,999	4,950,940
- five years and above	1,153,405	846,826	1,153,405	846,826
Interest rate related contracts:				
- less than one year	43,388,997	33,951,130	43,138,997	33,981,130
- one year to less than five years	34,308,796	36,296,189	34,423,796	36,461,189
- five years and above	5,562,786	1,877,411	4,862,786	1,877,411
Equity related contracts:				
- less than one year	155,471	291,457	155,471	291,457
- one year to less than five years	279,187	212,299	279,187	212,299
Commodity related contracts:				
- less than one year	-	4,949	-	4,949
Unutilised credit card lines	7,001,256	7,503,020	7,001,256	7,503,020
Total	<u>163,004,495</u>	<u>150,080,124</u>	<u>156,405,399</u>	<u>143,994,304</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A31 Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

(a) Connected parties exposures

	The Group		The Bank	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Aggregate value of outstanding credit exposures with connected parties	1,826,420	2,457,624	1,655,767	2,394,761
Outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.30%	1.78%	1.42%	2.07%
Outstanding credit exposures with connected parties which is non-performing or in default as a proportion of total credit exposures (%)	0.0133%	0.0002%	0.0160%	0.0002%

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A32 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statements of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(a) Determination of fair value and fair value hierarchy

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A32 Fair value of financial instruments (continued)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	The Group			
	Financial Year Ended 30/06/2017			
	Fair Value			Total
	Level 1	Level 2	Level 3	
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	5,113,268	-	5,113,268
- Quoted securities	258,452	-	-	258,452
- Unquoted securities	-	316,445	-	316,445
Financial investments available-for-sale				
- Money market instrument	-	6,640,333	-	6,640,333
- Quoted securities	10,077,526	-	-	10,077,526
- Unquoted securities	-	10,481,598	454,760	10,936,358
Derivative financial instruments	18	944,456	8,568	953,042
	<u>10,335,996</u>	<u>23,496,100</u>	<u>463,328</u>	<u>34,295,424</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,228	1,395,856	8,568	1,405,652
Financial liabilities designated at fair value				
- Callable range accrual notes and Callable inverse floater	-	2,480,925	-	2,480,925
	<u>1,228</u>	<u>3,876,781</u>	<u>8,568</u>	<u>3,886,577</u>
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	4,436,353	-	4,436,353
- Quoted securities	554,287	-	-	554,287
- Unquoted securities	-	319,601	-	319,601
Financial investments available-for-sale				
- Money market instrument	-	5,589,162	-	5,589,162
- Quoted securities	11,642,510	-	-	11,642,510
- Unquoted securities	-	8,224,318	427,328	8,651,646
Derivative financial instruments	11	1,004,361	7,995	1,012,367
	<u>12,196,808</u>	<u>19,573,795</u>	<u>435,323</u>	<u>32,205,926</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,564	1,540,323	7,995	1,549,882
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,421,919	-	1,421,919
	<u>1,564</u>	<u>2,962,242</u>	<u>7,995</u>	<u>2,971,801</u>

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2016: RM Nil).

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A32 Fair value of financial instruments (continued)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:
(continued)

	The Bank			
	Financial Year Ended 30/06/2017			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	5,021,807	-	5,021,807
- Quoted securities	258,452	-	-	258,452
- Unquoted securities	-	125,051	-	125,051
Financial investments available-for-sale				
- Money market instrument	-	5,110,048	-	5,110,048
- Quoted securities	10,065,260	-	-	10,065,260
- Unquoted securities	-	9,256,212	454,760	9,710,972
Derivative financial instruments	18	938,997	8,568	947,583
	<u>10,323,730</u>	<u>20,452,115</u>	<u>463,328</u>	<u>31,239,173</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,228	1,353,858	8,568	1,363,654
Financial liabilities designated at fair value				
- Callable range accrual notes and Callable inverse floater	-	1,628,683	-	1,628,683
	<u>1,228</u>	<u>2,982,541</u>	<u>8,568</u>	<u>2,992,337</u>

	The Bank			
	Financial Year Ended 30/06/2016			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	4,241,400	-	4,241,400
- Quoted securities	554,287	-	-	554,287
- Unquoted securities	-	319,601	-	319,601
Financial investments available-for-sale				
- Money market instrument	-	4,375,977	-	4,375,977
- Quoted securities	11,549,737	-	-	11,549,737
- Unquoted securities	-	7,503,170	427,328	7,930,498
Derivative financial instruments	11	991,032	7,995	999,038
	<u>12,104,035</u>	<u>17,431,180</u>	<u>435,323</u>	<u>29,970,538</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,564	1,522,570	7,995	1,532,129
Financial liabilities designated at fair value				
- Callable range accrual notes	-	1,010,784	-	1,010,784
	<u>1,564</u>	<u>2,533,354</u>	<u>7,995</u>	<u>2,542,913</u>

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2016: RM Nil).

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A32 Fair value of financial instruments (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

The Group 2017	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	427,328	7,995	7,995
Fair value changes recognised in statements of income	-	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	-	-
Purchases	-	7,582	7,582
Settlements	-	(14,306)	(14,306)
Disposal	(53)	-	-
Transfer out from Level 3	(4,329)	-	-
At 30 June	454,760	8,568	8,568
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2017	-	7,297	7,297
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	31,814	-	-
The Bank 2017	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	427,328	7,995	7,995
Fair value changes recognised in statements of income	-	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	-	-
Purchases	-	7,582	7,582
Settlements	-	(14,306)	(14,306)
Disposal	(53)	-	-
Transfer out from Level 3	(4,329)	-	-
At 30 June	454,760	8,568	8,568
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2017	-	7,297	7,297
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	31,814	-	-

During the financial year ended 30 June 2017, the Group and the Bank transferred certain financial instruments (mainly shares outside Malaysia) from Level 3 to Level 2 of the fair value hierarchy. The reason for the transfer was due to upliftment of conversion restriction whereby certain shares are now convertible to Class A shares which are currently listed on the New York Stock Exchange. Thus, these shares can now be reliably measured based on observable inputs under Level 2.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A32 Fair value of financial instruments (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

The Group 2016	Financial Assets		Financial
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	394,887	6,952	6,952
Fair value changes recognised in statements of income	-	(3,023)	(3,023)
Net fair value changes recognised in other comprehensive income	32,441	-	-
Purchases	-	4,171	4,171
Disposal	-	(105)	(105)
At 30 June	<u>427,328</u>	<u>7,995</u>	<u>7,995</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2016	<u>-</u>	<u>(3,023)</u>	<u>(3,023)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2016	<u>32,441</u>	<u>-</u>	<u>-</u>
The Bank 2016	Financial Assets		Financial
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	394,887	6,952	6,952
Fair value changes recognised in statements of income	-	(3,023)	(3,023)
Net fair value changes recognised in other comprehensive income	32,441	-	-
Purchases	-	4,171	4,171
Disposal	-	(105)	(105)
At 30 June	<u>427,328</u>	<u>7,995</u>	<u>7,995</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2016	<u>-</u>	<u>(3,023)</u>	<u>(3,023)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2016	<u>32,441</u>	<u>-</u>	<u>-</u>

A33 Liquidity risk

Please refer to Appendix A.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a pre-tax profit of RM680.0 million for the current financial quarter ended 30 June 2017, a decrease of RM44.5 million or 6.1% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to higher operating expenses of RM21.4 million, higher allowance for impairment losses on loans, advances and financing of RM115.0 million, lower write back of impairment losses on financial investments of RM1.3 million and lower share of profit from joint venture of RM1.8 million. However, this is mitigated by higher net income of RM73.0 million and higher share of profit from associated company of RM22.0 million.

A detailed analysis of the performance of major operating segments of the group are as follows:

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM253.2 million for the fourth quarter ended 30 June 2017 as compared to previous corresponding quarter of RM347.6 million. The decrease in pre-tax profit was mainly contributed by higher allowance for impairment losses on loans, advances and financing and higher operating expenses, partially offset by higher total income.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM135.0 million for the fourth quarter ended 30 June 2017 as compared to previous corresponding quarter of RM150.9 million. The decrease in pre-tax profit was mainly contributed by higher allowance for impairment losses on loans, advances and financing and higher operating expenses, partially offset by higher total income.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM68.9 million for the fourth quarter ended 30 June 2017 as compared to previous corresponding quarter of RM148.6 million. The decrease in pre-tax profit was mainly contributed by lower total income and higher operating expenses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM113.8 million for the fourth quarter ended 30 June 2017 as compared to previous corresponding quarter of RM97.9 million. The increase in performance was mainly contributed by higher share of profit from associated company in China, lower allowance for impairment losses on loans, advances and financing partially offset by higher operating expenses from other overseas operation.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B1 Review of performance (continued)

Current Year-to-date vs. Previous Year-to-date

The Group pre-tax profit for the financial year ended 30 June 2017 stood at RM2,748.3 million, an increase of RM366.6 million or 15.4% as compared to RM2,381.7 million in the previous financial year. The increase was mainly due to higher net income of RM372.8 million, lower operating expenses of RM79.3 million and higher share of profit from associated company of RM30.7 million. This is mitigated by higher allowance for impairment losses on loans, advances and financing of RM108.6 million and lower write back of impairment losses on financial investments of RM7.6 million.

A detailed analysis of the performance of major operating segments of the group are as follows:

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM1,119.9 million for the financial year ended 30 June 2017 as compared to previous financial year of RM995.0 million. Higher pre-tax profit mainly arising from higher total income, partially offset by lower allowance for impairment losses on loans, advances and financing and higher operating expenses.

Personal Financial Services's loan base grew from RM83.1 billion as at 30 June 2016 to RM87.4 billion as at 30 June 2017. Deposit base registered a growth from RM82.5 billion to RM88.8 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM718.4 million for the financial year ended 30 June 2017 as compared to previous financial year of RM684.0 million. Higher pre-tax profit was driven by higher total income, partially offset by higher impairment losses on loans, advances and financing and higher operating expenses.

Business and Corporate Banking's loan base decreased from RM30.8 billion as at 30 June 2016 to RM30.0 billion as at 30 June 2017. Deposit base decreased from RM33.0 billion to RM30.2 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM405.9 million for the financial year ended 30 June 2017 as compared to previous financial year of RM504.6 million. The decrease in pre-tax profit was mainly due to lower total income, higher impairment losses on financial investments and higher operating expenses.

Treasury earning assets registered a increase from RM52.8 billion as at 30 June 2016 to RM53.5 billion as at 30 June 2017.

International Banking

The International Banking's segment recorded a pre-tax profit of RM400.3 million for the financial year ended 30 June 2017 as compared to previous financial year of RM358.2 million. Higher pre-tax profit mainly contributed by higher share of profit from associated company in China, higher total income, lower allowance for impairment losses on loans, advances and financing, partially offset by higher operating expenses from other overseas operation.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM680.0 million as compared to RM697.0 million in the preceding quarter, a decrease of RM17.1 million mainly contributed by higher operating expenses of RM14.4 million, higher allowance for impairment losses on loans, advances and financing of RM17.6 million, lower write back of impairment losses on financial investments of RM1.2 million and lower share of profit from associated company of RM11.7 million. However, this is offsetted by higher net income of RM28.2 million.

B3 Prospects for the new financial year 2017/2018

The Malaysian economy is expected to improve further going into the new financial year, tracking brighter growth prospects in the world economy. Sustained domestic demand will remain the main pillar for growth, further supported by recovery in external demand. A more stable financial market conditions coupled with a sound banking system are also expected to bode well with overall growth prospects of the Malaysian economy.

The Group remains focused on executing our strategy in building a high performance business and strengthening the foundation for sustainable profitability.

The Bank stays committed in pursuing a sustainable growth in our domestic and regional business by embedding ourselves in the community and strengthening our products and services. At the same time, the Bank remained focused on executing our digital strategy to transform and optimize our business to enhance customer experience and attain operational excellence.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	113,853	163,573	564,337	467,839
Transfer from deferred taxation	83,189	2,296	38,899	10,443
	197,042	165,869	603,236	478,282

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	133,269	141,493	562,805	407,283
Transfer from deferred taxation	84,536	882	40,271	12,986
	217,805	142,375	603,076	420,269

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B6 Profit on sale of unquoted investments/properties

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial year under review.

B7 Purchase and disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial year under review other than those purchased or disposed in the ordinary course of business.

B8 Status of corporate proposals

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2017:

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	25,670,538	239,391	(270,386)
(ii) 1 year to 3 years	23,617	85	-
Swaps			
(i) Less than 1 year	7,024,369	207,264	(326,371)
(ii) 1 year to 3 years	2,823,719	120,831	(334,551)
(iii) More than 3 years	1,953,068	136,419	(56,466)
Options			
(i) Less than 1 year	3,214,858	19,761	(17,009)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,935,109	18	(1,228)
Swaps			
(i) Less than 1 year	14,453,888	12,448	(12,729)
(ii) 1 year to 3 years	19,462,048	101,114	(146,479)
(iii) More than 3 years	20,409,534	107,143	(231,865)
Equity related contracts			
(i) Less than 1 year	155,471	410	(410)
(ii) 1 year to 3 years	250,143	4,238	(4,238)
(iii) More than 3 years	29,044	3,920	(3,920)
Total	124,405,406	953,042	(1,405,652)

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2016:

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	20,195,540	180,469	(444,831)
(ii) 1 year to 3 years	18,146	461	(101)
Swaps			
(i) Less than 1 year	5,362,232	140,154	(102,945)
(ii) 1 year to 3 years	4,565,055	271,552	(492,519)
(iii) More than 3 years	1,045,237	98,987	(31,804)
Options			
(i) Less than 1 year	2,441,963	21,343	(15,929)
(ii) 1 year to 3 years	169,328	1,747	(1,747)
Interest rate related contracts			
Futures			
(i) Less than 1 year	10,082,057	11	(1,564)
Swaps			
(i) Less than 1 year	23,869,073	12,983	(23,264)
(ii) 1 year to 3 years	18,590,299	53,773	(95,535)
(iii) More than 3 years	19,583,301	222,017	(330,796)
Equity related contracts			
(i) Less than 1 year	291,457	7,011	(7,011)
(ii) 1 year to 3 years	212,299	984	(984)
Commodity related contracts			
(i) Less than 1 year	4,949	875	(852)
Total	106,430,936	1,012,367	(1,549,882)

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2017:

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	25,293,133	236,271	(268,574)
(ii) 1 year to 3 years	23,617	85	-
Swaps			
(i) Less than 1 year	7,023,873	207,264	(326,371)
(ii) 1 year to 3 years	2,823,719	120,831	(334,551)
(iii) More than 3 years	1,953,068	136,419	(56,466)
Options			
(i) Less than 1 year	3,214,858	19,761	(17,009)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,935,109	18	(1,228)
Swaps			
(i) Less than 1 year	14,203,888	12,042	(12,241)
(ii) 1 year to 3 years	19,462,049	100,943	(146,479)
(iii) More than 3 years	19,824,533	105,381	(192,167)
Equity related contracts			
(i) Less than 1 year	155,471	410	(410)
(ii) 1 year to 3 years	250,143	4,238	(4,238)
(iii) More than 3 years	29,044	3,920	(3,920)
Total	123,192,505	947,583	(1,363,654)

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2016:

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	19,562,747	167,982	(434,227)
(ii) 1 year to 3 years	18,146	461	(101)
Swaps			
(i) Less than 1 year	5,139,902	134,111	(97,229)
(ii) 1 year to 3 years	4,565,055	271,552	(492,519)
(iii) More than 3 years	1,045,237	98,987	(31,804)
Options			
(i) Less than 1 year	2,441,963	21,343	(15,929)
(ii) 1 year to 3 years	169,328	1,747	(1,747)
Interest rate related contracts			
Futures			
(i) Less than 1 year	10,082,057	11	(1,564)
Swaps			
(i) Less than 1 year	23,899,073	12,585	(22,930)
(ii) 1 year to 3 years	18,365,299	53,213	(94,619)
(iii) More than 3 years	19,973,301	228,176	(330,613)
Equity related contracts			
(i) Less than 1 year	291,457	7,011	(7,011)
(ii) 1 year to 3 years	212,299	984	(984)
Commodity related contracts			
(i) Less than 1 year	4,949	875	(852)
Total	105,770,813	999,038	(1,532,129)

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B9 Off-balance sheet financial instruments (continued)

Foreign exchange, interest rate, equity and commodity related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM115,444,000 (FYE June 2016: RM98,374,000) and RM85,460,579,000 (FYE June 2016: RM76,308,873,000) respectively.

Derivatives

Market risk arises from the impact on trading positions of changes in foreign exchange rates and interest rates. It also includes the impact from changes in the correlations and volatilities of other risk factors. The Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,014,653,000 (FYE June 2016: RM1,031,400,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

The Group uses the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk of futures contracts is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the statements of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Liquidity risk

Derivatives

Liquidity risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

Related accounting policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of income. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of income.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the statements of income. The deferred gains and losses are then released to the statements of income in the periods when the hedged items affects the statements of income.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B10 Material litigation

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

B11 Dividend

A final single tier dividend of 30.0 sen per share has been proposed for the current quarter.

- (i) Amount per share: 30.0 sen.
- (ii) Previous corresponding quarter: single tier dividend of 26.0 sen per share.
- (iii) Entitlement date: To be announced later.
- (iv) Payment date: To be announced later.

B12 Realised and unrealised profits

	The Group	
	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2016 RM'000
Total retained profits of Hong Leong Bank Berhad and subsidiaries		
- Realised	10,622,103	5,858,481
- Unrealised	958,758	743,693
	11,580,861	6,602,174
Total share of retained profits from associated company		
- Realised	2,359,849	2,016,939
Total share of retained profits from joint venture		
- Realised	72,150	50,997
	14,012,860	8,670,110
Less: Consolidation adjustment	(452,278)	(257,745)
Total Group's retained profits	13,560,582	8,412,365

The breakdown of realised and unrealised profits is derived based on the Guidance on Special Note No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B13 Earnings per share

(a) Basic earnings per share

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
<u>The Group</u>				
Net profit attributable to equity holders	482,917	558,544	2,145,016	1,903,417
Weighted average number of ordinary shares in issue ('000)	2,167,718	2,026,173	2,167,718	2,026,173
Less: Treasury shares held	(122,215)	(118,809)	(122,215)	(118,809)
	<u>2,045,503</u>	<u>1,907,364</u>	<u>2,045,503</u>	<u>1,907,364</u>
Basic earnings per share (sen)	23.6	29.3	104.9	99.8
<u>The Bank</u>				
Net profit attributable to equity holders	420,403	419,173	1,744,051	1,604,594
Weighted average number of ordinary shares in issue ('000)	2,167,718	2,026,173	2,167,718	2,026,173
Less: Treasury shares held	(122,215)	(118,809)	(122,215)	(118,809)
	<u>2,045,503</u>	<u>1,907,364</u>	<u>2,045,503</u>	<u>1,907,364</u>
Basic earnings per share (sen)	20.6	22.0	85.3	84.1

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

B13 Earnings per share (continued)

(b) Fully diluted earnings per share

The Bank has two categories of dilutive potential ordinary shares, which are the share options and ordinary shares granted under the ESS. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Bank's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	482,917	558,544	2,145,016	1,903,417
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period/year	2,045,503	1,907,364	2,045,503	1,907,364
- adjustment for ESS	551	-	551	-
	2,046,054	1,907,364	2,046,054	1,907,364
Fully diluted earnings per share (sen)	23.6	29.3	104.8	99.8
<u>The Bank</u>				
Net profit attributable to equity holders	420,403	419,173	1,744,051	1,604,594
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period/year	2,045,503	1,907,364	2,045,503	1,907,364
- adjustment for ESS	551	-	551	-
	2,046,054	1,907,364	2,046,054	1,907,364
Fully diluted earnings per share (sen)	20.5	22.0	85.2	84.1

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A33 Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity:

	The Group							Total
	30 June 2017							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	10,686,387	136,923	-	-	-	-	-	10,823,310
Deposits and placements with banks and other financial institutions	-	-	626,363	200,380	-	-	-	826,743
Securities purchased under resale agreements	-	300,880	-	-	-	-	-	300,880
Financial assets held-for-trading	1,550,722	602,835	1,520,395	371,805	20,473	1,621,935	-	5,688,165
Financial investments available-for-sale	-	5,076	471,236	527,753	643,437	20,199,421	5,807,294	27,654,217
Financial investments held-to-maturity	48	-	1,073,692	384,880	141,407	11,460,577	-	13,060,604
Loans, advances and financing	10,504,859	5,954,327	6,664,066	2,292,636	616,847	97,958,206	-	123,990,941
Other assets	596,855	3,439	6,287	7,367	922	18,820	774,041	1,407,731
Derivative financial instruments	64,364	59,284	144,844	53,230	157,570	473,750	-	953,042
Statutory deposits with Central Banks	-	-	-	-	-	-	3,738,230	3,738,230
Investment in associated companies	-	-	-	-	-	-	3,466,891	3,466,891
Investment in joint venture	-	-	-	-	-	-	169,185	169,185
Property and equipment	-	-	-	-	-	-	1,423,097	1,423,097
Intangible assets	-	-	-	-	-	-	213,323	213,323
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	4,851	4,851
Total assets	23,403,235	7,062,764	10,506,883	3,838,051	1,580,656	131,732,709	17,428,224	195,552,522

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity: (continued)

	The Group							Total
	30 June 2017							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	55,497,392	27,513,960	29,768,525	20,789,567	17,340,846	4,322,915	-	155,233,205
Deposits and placements of banks and other financial institutions	1,835,226	1,079,129	1,554,589	983,331	34,417	-	-	5,486,692
Obligations on securities sold under repurchase agreements	529,165	28,251	1,899,275	372,926	-	-	-	2,829,617
Bills and acceptances payable	270	57,282	47,464	15,865	-	-	243,794	364,675
Other liabilities	3,808,473	-	-	-	154,219	-	89,975	4,052,667
Derivative financial instruments	28,698	42,115	78,590	203,734	274,995	777,520	-	1,405,652
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,926	-	202,926
Tier 2 subordinated bonds	-	-	-	-	-	2,402,145	-	2,402,145
Innovative Tier 1 capital securities	-	-	-	-	-	515,623	-	515,623
Taxation	-	-	-	-	-	-	201,713	201,713
Deferred tax liabilities	-	-	-	-	-	-	172,194	172,194
Total liabilities	61,699,224	28,720,737	33,348,443	22,365,423	17,804,477	8,221,129	707,676	172,867,109
Total equity	-	-	-	-	-	-	22,685,413	22,685,413
Total liabilities and equity	61,699,224	28,720,737	33,348,443	22,365,423	17,804,477	8,221,129	23,393,089	195,552,522
Net liquidity gap	(38,295,989)	(21,657,973)	(22,841,560)	(18,527,372)	(16,223,821)	123,511,580	16,720,548	22,685,413

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity:

	The Group							Total
	30 June 2016							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	5,819,643	1,654,321	-	-	-	-	-	7,473,964
Deposits and placements with banks and other financial institutions	-	-	1,721,584	303,091	32,676	-	-	2,057,351
Securities purchased under resale agreements	-	4,056,670	-	-	-	-	-	4,056,670
Financial assets held-for-trading	21,803	1,784,002	2,102,414	90,384	-	1,311,638	-	5,310,241
Financial investments available-for-sale	624,822	118,016	330,395	568,570	652,684	16,629,164	6,959,667	25,883,318
Financial investments held-to-maturity	16,435	20,373	1,379,218	923,763	612,340	8,819,705	-	11,771,834
Loans, advances and financing	10,969,090	6,148,011	5,792,698	2,813,164	684,413	93,050,675	-	119,458,051
Other assets	1,113,595	77	12,871	8,304	3,999	20,965	543,352	1,703,163
Derivative financial instruments	108,179	72,416	66,940	67,182	48,129	649,521	-	1,012,367
Statutory deposits with Central Banks	-	-	-	-	-	-	4,296,119	4,296,119
Investment in associated companies	-	-	-	-	-	-	3,177,768	3,177,768
Investment in joint venture	-	-	-	-	-	-	144,875	144,875
Property and equipment	-	-	-	-	-	-	1,382,459	1,382,459
Intangible assets	-	-	-	-	-	-	264,766	264,766
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	3,957	3,957
Total assets	18,673,567	13,853,886	11,406,120	4,774,458	2,034,241	120,481,668	18,604,275	189,828,215

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity: (continued)

	The Group							Total
	30 June 2016							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	48,732,383	34,503,798	23,849,064	20,106,824	16,841,113	4,490,732	-	148,523,914
Deposits and placements of banks and other financial institutions	1,964,900	1,179,785	2,791,364	170,268	94,913	-	-	6,201,230
Obligations on securities sold under repurchase agreements	230,836	1,562,179	1,701,888	-	-	-	-	3,494,903
Bills and acceptances payable	43,503	7,531	26,062	15,155	4	-	258,200	350,455
Other liabilities	3,650,467	-	-	-	101,443	-	164,019	3,915,929
Derivative financial instruments	62,573	68,382	170,906	191,864	102,672	953,485	-	1,549,882
Senior bonds	-	-	-	-	1,215,643	-	-	1,215,643
Tier 2 subordinated bonds	-	-	-	-	-	2,401,322	-	2,401,322
Innovative Tier 1 capital securities	-	-	-	-	-	521,512	-	521,512
Borrowings	-	-	-	-	-	384,730	-	384,730
Taxation	-	-	-	-	-	-	31,447	31,447
Deferred tax liabilities	-	-	-	-	-	-	120,101	120,101
Total liabilities	54,684,662	37,321,675	28,539,284	20,484,111	18,355,788	8,751,781	573,767	168,711,068
Total equity	-	-	-	-	-	-	21,117,147	21,117,147
Total liabilities and equity	54,684,662	37,321,675	28,539,284	20,484,111	18,355,788	8,751,781	21,690,914	189,828,215
Net liquidity gap	(36,011,095)	(23,467,789)	(17,133,164)	(15,709,653)	(16,321,547)	111,729,887	18,030,508	21,117,147

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity:

	The Bank							Total
	30 June 2017							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	9,699,564	499,630	-	-	-	-	-	10,199,194
Deposits and placements with banks and other financial institutions	-	-	293,650	100,014	-	-	-	393,664
Securities purchased under resale agreements	-	300,880	-	-	-	-	-	300,880
Financial assets held-for-trading	1,900,702	503,014	1,351,669	371,805	20,473	1,257,647	-	5,405,310
Financial investments available-for-sale	-	5,076	456,086	381,760	587,787	17,648,277	5,807,294	24,886,280
Financial investments held-to-maturity	48	-	952,371	384,880	141,407	8,930,087	-	10,408,793
Loans, advances and financing	9,246,875	5,291,056	5,971,562	2,081,208	477,702	79,470,147	-	102,538,550
Other assets	461,469	3,320	6,087	7,091	916	16,524	813,932	1,309,339
Derivative financial instruments	63,817	57,557	144,131	53,097	157,164	471,817	-	947,583
Amount due from subsidiaries	-	-	-	-	-	-	13,484	13,484
Statutory deposits with Central Banks	-	-	-	-	-	-	2,986,547	2,986,547
Subsidiary companies	-	-	-	-	-	-	1,662,409	1,662,409
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	774,999	774,999
Intangible assets	-	-	-	-	-	-	194,870	194,870
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	21,372,475	6,660,533	9,175,556	3,379,855	1,385,449	107,794,499	15,048,318	164,816,685

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)

A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity: (continued)

	The Bank							Total
	30 June 2017							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	46,569,608	23,413,305	24,500,847	18,022,027	13,934,823	3,418,793	-	129,859,403
Deposits and placements of banks and other financial institutions	1,952,922	988,552	1,500,854	983,331	34,417	-	-	5,460,076
Obligations on securities sold under repurchase agreements	529,165	-	1,899,275	372,926	-	-	-	2,801,366
Bills and acceptances payable	246	57,095	46,223	14,870	-	-	230,407	348,841
Other liabilities	3,188,877	-	-	-	149,639	-	137,173	3,475,689
Derivative financial instruments	28,696	40,399	78,505	203,726	274,507	737,821	-	1,363,654
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,926	-	202,926
Tier 2 subordinated bonds	-	-	-	-	-	2,001,642	-	2,001,642
Innovative Tier 1 capital securities	-	-	-	-	-	515,623	-	515,623
Taxation	-	-	-	-	-	-	173,953	173,953
Deferred tax liabilities	-	-	-	-	-	-	171,131	171,131
Total liabilities	52,269,514	24,499,351	28,025,704	19,596,880	14,393,386	6,876,805	712,664	146,374,304
Total equity	-	-	-	-	-	-	18,442,381	18,442,381
Total liabilities and equity	52,269,514	24,499,351	28,025,704	19,596,880	14,393,386	6,876,805	19,155,045	164,816,685
Net liquidity gap	(30,897,039)	(17,838,818)	(18,850,148)	(16,217,025)	(13,007,937)	100,917,694	14,335,654	18,442,381

HONG LEONG BANK BERHAD
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A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity:

	The Bank							Total
	30 June 2016							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	4,203,895	1,453,952	-	-	-	-	-	5,657,847
Deposits and placements with banks and other financial institutions	-	-	1,815,682	303,091	32,676	-	-	2,151,449
Securities purchased under resale agreements	-	4,056,670	-	-	-	-	-	4,056,670
Financial assets held-for-trading	21,802	1,734,122	2,102,414	90,384	-	1,166,566	-	5,115,288
Financial investments available-for-sale	624,822	97,504	330,395	513,207	626,412	14,704,205	6,959,667	23,856,212
Financial investments held-to-maturity	48	10,145	1,379,218	697,387	902,827	7,016,159	-	10,005,784
Loans, advances and financing	9,537,823	5,860,023	5,447,286	2,616,171	585,697	76,012,119	-	100,059,119
Other assets	605,351	-	12,742	8,133	3,920	19,118	784,267	1,433,531
Derivative financial instruments	107,939	68,900	59,027	60,261	47,791	655,120	-	999,038
Amount due from subsidiaries	-	-	-	-	-	-	14,476	14,476
Statutory deposits with Central Banks	-	-	-	-	-	-	3,602,936	3,602,936
Subsidiary companies	-	-	-	-	-	-	1,529,760	1,529,760
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	714,784	714,784
Intangible assets	-	-	-	-	-	-	246,784	246,784
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	15,101,680	13,281,316	11,146,764	4,288,634	2,199,323	99,573,287	16,647,457	162,238,461

HONG LEONG BANK BERHAD
(97141-X)
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A33 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2017 based on the remaining contractual maturity: (continued)

	The Bank							Total
	30 June 2016							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	39,874,251	30,842,738	18,973,217	17,297,906	15,192,729	4,059,936	-	126,240,777
Deposits and placements of banks and other financial institutions	2,087,108	1,082,908	2,556,283	45,271	42,063	-	-	5,813,633
Obligations on securities sold under repurchase agreements	230,836	1,562,179	1,701,888	-	-	-	-	3,494,903
Bills and acceptances payable	43,491	6,816	24,201	13,836	4	-	245,604	333,952
Other liabilities	3,052,965	-	-	-	98,197	-	384,063	3,535,225
Derivative financial instruments	62,472	66,516	163,298	185,088	102,368	952,387	-	1,532,129
Senior bonds	-	-	-	-	1,215,643	-	-	1,215,643
Tier 2 subordinated bonds	-	-	-	-	-	2,000,840	-	2,000,840
Innovative Tier 1 capital securities	-	-	-	-	-	521,512	-	521,512
Taxation	-	-	-	-	-	-	4,587	4,587
Deferred tax liabilities	-	-	-	-	-	-	114,527	114,527
Total liabilities	45,351,123	33,561,157	23,418,887	17,542,101	16,651,004	7,534,675	748,781	144,807,728
Total equity	-	-	-	-	-	-	17,430,733	17,430,733
Total liabilities and equity	45,351,123	33,561,157	23,418,887	17,542,101	16,651,004	7,534,675	18,179,514	162,238,461
Net liquidity gap	(30,249,443)	(20,279,841)	(12,272,123)	(13,253,467)	(14,451,681)	92,038,612	15,898,676	17,430,733