

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 December 2017

		The Group		The Bank	
	Note	As at 31/12/2017 RM'000	As at 30/06/2017 RM'000	As at 31/12/2017 RM'000	As at 30/06/2017 RM'000
<u>ASSETS</u>					
Cash and short-term funds		8,601,902	10,823,310	8,352,574	10,199,194
Deposits and placements with banks and other financial institutions		4,406,888	826,743	3,987,073	393,664
Securities purchased under resale agreements		691,214	300,880	691,214	300,880
Financial assets held-for-trading	A8	6,234,710	5,688,165	4,439,145	5,405,310
Financial investments available-for-sale	A9	32,319,373	27,654,217	29,519,100	24,886,280
Financial investments held-to-maturity	A10	12,798,874	13,060,604	10,045,962	10,408,793
Loans, advances and financing	A11	124,380,893	123,990,941	102,360,852	102,538,550
Other assets	A12	852,440	1,407,731	778,566	1,309,339
Derivative financial instruments		798,589	953,042	807,035	947,583
Amount due from subsidiaries		-	-	89,035	13,484
Statutory deposits with Central Banks		3,783,026	3,738,230	3,007,895	2,986,547
Subsidiary companies		-	-	2,140,913	1,662,409
Investment in associated company		3,672,250	3,466,891	946,525	946,525
Investment in joint venture	A13	171,928	169,185	76,711	76,711
Property and equipment		1,429,210	1,423,097	784,234	774,999
Intangible assets		178,749	213,323	161,322	194,870
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		899	4,851	-	-
TOTAL ASSETS		<u>202,152,257</u>	<u>195,552,522</u>	<u>169,959,703</u>	<u>164,816,685</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A14	155,332,372	155,233,205	129,531,524	129,859,403
Deposits and placements of banks and other financial institutions	A15	7,575,203	5,486,692	7,192,663	5,460,076
Obligations on securities sold under repurchase agreements		5,441,160	2,829,617	5,394,953	2,801,366
Bills and acceptances payable		353,086	364,675	324,330	348,841
Other liabilities	A16	4,651,660	4,052,667	3,753,209	3,475,689
Derivative financial instruments		1,655,766	1,405,652	1,619,623	1,363,654
Recourse obligation on loans sold to Cagamas Berhad		202,971	202,926	202,971	202,926
Tier 2 subordinated bonds	A17	2,402,564	2,402,145	2,001,912	2,001,642
Multi-currency Additional Tier 1 Capital Securities	A18	401,126	-	401,126	-
Innovative Tier 1 capital securities	A19	513,643	515,623	513,643	515,623
Provision for taxation		284,535	201,713	240,193	173,953
Deferred tax liabilities		141,088	172,194	141,478	171,131
TOTAL LIABILITIES		<u>178,955,174</u>	<u>172,867,109</u>	<u>151,317,625</u>	<u>146,374,304</u>
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		16,191,981	15,680,311	11,636,976	11,437,279
Less: Treasury shares		(733,961)	(733,961)	(733,961)	(733,961)
TOTAL SHAREHOLDERS' EQUITY		<u>23,197,083</u>	<u>22,685,413</u>	<u>18,642,078</u>	<u>18,442,381</u>
TOTAL LIABILITIES AND EQUITY		<u>202,152,257</u>	<u>195,552,522</u>	<u>169,959,703</u>	<u>164,816,685</u>
<u>COMMITMENTS AND CONTINGENCIES</u>	A30	<u>191,817,211</u>	<u>163,004,495</u>	<u>186,640,211</u>	<u>156,405,399</u>
Net asset per share attributable to ordinary equity holders of the parent (RM) *		11.34	11.09	9.11	9.02

* 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 2017.

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

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 December 2017

	Note	The Group			
		Current Quarter Ended 31/12/2017 RM'000	Corresponding Quarter Ended 31/12/2016 RM'000	Current Period Ended 31/12/2017 RM'000	Corresponding Period Ended 31/12/2016 RM'000
Interest income	A20	1,584,627	1,541,468	3,156,831	3,085,459
Interest expense	A21	(835,962)	(832,892)	(1,667,640)	(1,686,440)
Net interest income		748,665	708,576	1,489,191	1,399,019
Net income from Islamic Banking business	A22	156,833	138,410	316,643	268,011
Other operating income	A23	323,057	331,754	601,351	607,952
Net income		1,228,555	1,178,740	2,407,185	2,274,982
Other operating expenses	A24	(515,842)	(500,701)	(1,022,987)	(991,386)
Operating profit before allowances		712,713	678,039	1,384,198	1,283,596
Allowance for impairment losses on loans, advances and financing	A25	(10,476)	(28,381)	(53,889)	(51,435)
Write back of/(allowance for) impairment losses on financial investments		555	1,626	556	(1,734)
		702,792	651,284	1,330,865	1,230,427
Share of profit after tax of equity accounted associated company		125,379	39,768	273,131	129,016
Share of profit after tax of equity accounted joint venture		4,928	5,578	9,495	11,806
Profit before taxation		833,099	696,630	1,613,491	1,371,249
Taxation	B5	(150,028)	(146,695)	(291,452)	(278,687)
Net profit for the financial period		683,071	549,935	1,322,039	1,092,562
Attributable to:					
Owners of the parent		683,071	549,935	1,322,039	1,092,562
Earnings per share - basic (sen)	B13(a)	33.4	26.9	64.6	53.4
Earnings per share - fully diluted (sen)	B13(b)	33.3	26.9	64.5	53.4

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 December 2017

	The Group			
	Current Quarter Ended 31/12/2017 RM'000	Corresponding Quarter Ended 31/12/2016 RM'000	Current Period Ended 31/12/2017 RM'000	Corresponding Period Ended 31/12/2016 RM'000
Net profit for the financial period	683,071	549,935	1,322,039	1,092,562
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss)/income of associated company	-	(5,063)	525	(4,355)
Currency translation differences	(127,365)	227,276	(154,822)	335,392
Net fair value changes on financial investments available-for-sale	(81,601)	(342,509)	(61,734)	(253,737)
Net fair value changes in cash flow hedge	1,505	2,126	1,369	1,142
Income tax relating to components of other comprehensive loss	16,499	79,128	12,321	58,319
Other comprehensive (loss)/income for the financial period, net of tax	(190,962)	(39,042)	(202,341)	136,761
Total comprehensive income for the financial period	<u>492,109</u>	<u>510,893</u>	<u>1,119,698</u>	<u>1,229,323</u>
Attributable to:				
- Owners of the parent	<u>492,109</u>	<u>510,893</u>	<u>1,119,698</u>	<u>1,229,323</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG BANK BERHAD
(97141-X)
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Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 December 2017

	Note	The Bank			
		Current Quarter Ended 31/12/2017 RM'000	Corresponding Quarter Ended 31/12/2016 RM'000	Current Period Ended 31/12/2017 RM'000	Corresponding Period Ended 31/12/2016 RM'000
Interest income	A20	1,564,271	1,519,540	3,114,568	3,044,858
Interest expense	A21	(827,882)	(822,052)	(1,650,347)	(1,668,582)
Net interest income		736,389	697,488	1,464,221	1,376,276
Other operating income	A23	318,827	329,233	599,380	730,038
Net income		1,055,216	1,026,721	2,063,601	2,106,314
Other operating expenses	A24	(455,267)	(432,062)	(901,268)	(861,308)
Operating profit before allowances		599,949	594,659	1,162,333	1,245,006
Allowance for impairment losses on loans, advances and financing	A25	(13,663)	(20,981)	(31,926)	(35,033)
Write back of/(allowance for) impairment losses on financial investments		555	1,626	556	(1,734)
Profit before taxation		586,841	575,304	1,130,963	1,208,239
Taxation	B5	(122,700)	(128,209)	(244,389)	(277,113)
Net profit for the financial period		464,141	447,095	886,574	931,126
Attributable to:					
Owners of the parent		464,141	447,095	886,574	931,126
Earnings per share - basic (sen)	B13(a)	22.7	21.9	43.3	45.5
Earnings per share - fully diluted (sen)	B13(b)	22.7	21.9	43.3	45.5

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 December 2017

	The Bank			
	Current Quarter Ended 31/12/2017 RM'000	Corresponding Quarter Ended 31/12/2016 RM'000	Current Period Ended 31/12/2017 RM'000	Corresponding Period Ended 31/12/2016 RM'000
Net profit for the financial period	464,141	447,095	886,574	931,126
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(29,675)	36,352	(35,310)	52,790
Net fair value changes on financial investments available-for-sale	(77,486)	(304,775)	(55,776)	(227,923)
Net fair value changes in cash flow hedge	1,505	2,126	1,369	1,142
Income tax relating to components of other comprehensive loss	15,449	70,425	10,868	52,192
Other comprehensive loss for the financial period, net of tax	(90,207)	(195,872)	(78,849)	(121,799)
Total comprehensive income for the financial period	373,934	251,223	807,725	809,327

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 December 2017

Attributable to owners of the parent

<u>The Group</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 Reserves * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2017	7,739,063	-	-	342,429	(1,068)	18,543	678,483	1,081,342	13,560,582	(733,961)	22,685,413
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,322,039	-	1,322,039
- Share of other comprehensive income of associated company	-	-	-	525	-	-	-	-	-	-	525
- Net fair value changes in financial investments available-for-sale	-	-	-	(49,085)	-	-	-	-	-	-	(49,085)
- Net fair value changes in cash flow hedge	-	-	-	-	1,041	-	-	-	-	-	1,041
- Currency translation differences	-	-	-	-	-	-	-	(154,822)	-	-	(154,822)
Total comprehensive (loss)/income	-	-	-	(48,560)	1,041	-	-	(154,822)	1,322,039	-	1,119,698
<u>Transactions with owners</u>											
Transfer from regulatory reserve	-	-	-	-	-	-	(2,154)	-	2,154	-	-
Dividends paid	-	-	-	-	-	-	-	-	(613,680)	-	(613,680)
Option charge arising from ESS granted	-	-	-	-	-	5,652	-	-	-	-	5,652
Total transactions with owners	-	-	-	-	-	5,652	(2,154)	-	(611,526)	-	(608,028)
At 31 December 2017	7,739,063	-	-	293,869	(27)	24,195	676,329	926,520	14,271,095	(733,961)	23,197,083
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 period	-	-	-	-	-	-	-	-	1,092,562	-	1,092,562
- Share of other comprehensive loss of associated company	-	-	-	(4,355)	-	-	-	-	-	-	(4,355)
- Net fair value changes in financial investments available-for-sale	-	-	-	(195,144)	-	-	-	-	-	-	(195,144)
- Net fair value changes in cash flow hedge	-	-	-	-	868	-	-	-	-	-	868
- Currency translation differences	-	-	-	-	-	-	-	335,392	-	-	335,392
Total comprehensive (loss)/income	-	-	-	(199,499)	868	-	-	335,392	1,092,562	-	1,229,323
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	28,800	-	-	-	-	-	(28,800)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	54,208	-	(54,208)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(531,818)	-	(531,818)
Option charge arising from ESS granted	-	-	-	-	-	6,499	-	-	-	-	6,499
Total transactions with owners	-	-	28,800	-	-	6,499	54,208	-	(614,826)	-	(525,319)
At 31 December 2016	2,167,718	5,571,345	3,949,516	118,820	(850)	16,704	652,980	1,189,857	8,890,101	(735,040)	21,821,151

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM665,084,000 (31 December 2016: RM641,735,000) 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 (31 December 2016: RM11,245,000)

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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 December 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 2017	7,739,063	-	-	360,928	(1,068)	18,543	571,678	241,993	10,245,205	(733,961)	18,442,381
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	886,574	-	886,574
- Net fair value changes in financial investments available-for-sale	-	-	-	(44,580)	-	-	-	-	-	-	(44,580)
- Net fair value changes in cash flow hedge	-	-	-	-	1,041	-	-	-	-	-	1,041
- Currency translation differences	-	-	-	-	-	-	-	(35,310)	-	-	(35,310)
Total comprehensive (loss)/income	-	-	-	(44,580)	1,041	-	-	(35,310)	886,574	-	807,725
<u>Transactions with owners</u>											
Transfer from regulatory reserve	-	-	-	-	-	-	1,617	-	(1,617)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(613,680)	-	(613,680)
Option charge arising from ESS granted	-	-	-	-	-	5,652	-	-	-	-	5,652
Total transactions with owners	-	-	-	-	-	5,652	1,617	-	(615,297)	-	(608,028)
At 31 December 2017	7,739,063	-	-	316,348	(27)	24,195	573,295	206,683	10,516,482	(733,961)	18,642,078
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 period	-	-	-	-	-	-	-	-	931,126	-	931,126
- Net fair value changes in financial investments available-for-sale	-	-	-	(175,457)	-	-	-	-	-	-	(175,457)
- Net fair value changes in cash flow hedge	-	-	-	-	868	-	-	-	-	-	868
- Currency translation differences	-	-	-	-	-	-	-	52,790	-	-	52,790
Total comprehensive (loss)/income	-	-	-	(175,457)	868	-	-	52,790	931,126	-	809,327
<u>Transactions with owners</u>											
Transfer to regulatory reserve	-	-	-	-	-	-	40,654	-	(40,654)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(531,818)	-	(531,818)
Option charge arising from ESS granted	-	-	-	-	-	6,499	-	-	-	-	6,499
Total transactions with owners	-	-	-	-	-	6,499	40,654	-	(572,472)	-	(525,319)
At 31 December 2016	2,167,718	5,571,345	3,380,604	134,593	(850)	16,704	535,662	250,327	6,393,678	(735,040)	17,714,741

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HONG LEONG BANK BERHAD
(97141-X)
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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 December 2017

	The Group		The Bank	
	Financial Period Ended 31/12/2017 RM'000	Financial Period Ended 31/12/2016 RM'000	Financial Period Ended 31/12/2017 RM'000	Financial Period Ended 31/12/2016 RM'000
Profit before taxation	1,613,491	1,371,249	1,130,963	1,208,239
Adjustments for non-cash items	<u>(750,716)</u>	<u>(383,828)</u>	<u>(526,032)</u>	<u>(413,465)</u>
Operating profit before working capital changes	862,775	987,421	604,931	794,774
Changes in working capital:				
Net changes in operating assets	(3,866,985)	(1,680,167)	(2,086,827)	(956,504)
Net changes in operating liabilities	5,778,333	1,561,728	4,601,187	415,034
Income taxes and zakat paid	<u>(219,091)</u>	<u>(217,796)</u>	<u>(191,039)</u>	<u>(196,012)</u>
Net cash generated from operating activities	<u>2,555,032</u>	<u>651,186</u>	<u>2,928,252</u>	<u>57,292</u>
Cash flows from investing activities				
Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	-
Net purchases of financial investments available-for-sale	(4,288,588)	(965,230)	(4,252,497)	(665,826)
Net proceeds/(purchases) of financial investments held-to-maturity	449,231	(992,186)	547,835	(192,171)
Purchase of property and equipment	(65,265)	(75,030)	(63,555)	(69,381)
Net proceeds from sale of property and equipment	2,522	3,403	2,447	3,373
Purchase of intangible assets	(3,689)	(6,707)	(2,172)	(6,305)
Dividends received on financial investments available-for-sale	137,372	129,653	137,372	129,653
Investment in subsidiary company	-	-	(76,703)	-
Dividend from associated company	-	88,634	-	88,634
Dividend from joint venture	3,563	3,428	3,563	3,428
Net cash used in investing activities	<u>(3,764,854)</u>	<u>(1,814,035)</u>	<u>(4,103,710)</u>	<u>(708,595)</u>
Cash flows from financing activities				
Dividends paid	(613,680)	(531,818)	(613,680)	(531,818)
Proceeds from debt issuance				
- Multi-currency Additional Tier 1 capital securities	400,000	-	400,000	-
Interest paid on subordinated obligations	(45,924)	(74,296)	(46,073)	(64,560)
Interest paid on Multi-currency Additional Tier 1 capital securities	(1,488)	-	(673)	-
Interest paid on innovative Tier 1 capital securities	(18,156)	(21,950)	(18,156)	(17,851)
Interest paid on recourse obligation on loans sold to Cagamas	(3,787)	-	(3,787)	-
Drawdown of borrowings	-	(388,552)	-	-
Net cash used in financing activities	<u>(283,035)</u>	<u>(1,016,616)</u>	<u>(282,369)</u>	<u>(614,229)</u>
Net decrease in cash and cash equivalents	(1,492,857)	(2,179,465)	(1,457,827)	(1,265,532)
Currency translation differences	(80,577)	119,876	(34,433)	51,975
Cash and cash equivalents at the beginning of financial period	10,388,873	8,524,566	9,578,350	6,690,848
Cash and cash equivalents at the end of financial period	<u>8,815,439</u>	<u>6,464,977</u>	<u>8,086,090</u>	<u>5,477,291</u>

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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 December 2017

	The Group		The Bank	
	Financial Period Ended 31/12/2017 RM'000	Financial Period Ended 31/12/2016 RM'000	Financial Period Ended 31/12/2017 RM'000	Financial Period Ended 31/12/2016 RM'000
Cash and short-term funds	8,601,902	6,160,803	8,352,574	5,680,103
Deposits and placements with banks and other financial institutions	4,406,888	2,151,629	3,987,073	1,646,056
	<u>13,008,790</u>	<u>8,312,432</u>	<u>12,339,647</u>	<u>7,326,159</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	(4,193,351)	(1,847,455)	(4,253,557)	(1,848,868)
	<u>8,815,439</u>	<u>6,464,977</u>	<u>8,086,090</u>	<u>5,477,291</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

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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 PERIOD ENDED 31 DECEMBER 2017**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 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 2017. 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 2017.

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 2017, and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2017:

- (i) Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative'
Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'

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

A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2017

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2017.

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 period

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

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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 period ended 31 December 2017:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 31 December 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 period ended 31 December 2017, the trust did not purchase any new shares. As at 31 December 2017, the total number of Treasury Shares for ESS was 41,016,542 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.

On 15 December 2017, the Bank has granted up to 22,750,000 conditional incentive share options at an exercise price of RM16.46 to eligible executives of the Bank and its subsidiary pursuant to the Bank's ESS.

The options granted are subject to the achievement of certain performance criteria by the option holders over two performance periods concluding at the end of the financial years ending 30 June 2019 and 30 June 2021 respectively. The achievement of the performance targets and the number of shares (if any) to be vested shall be determined following the end of the respective performance periods.

On 18 December 2017, the Bank has granted 322,580 ordinary shares in HLB to an eligible executive of the Bank pursuant to the Bank's ESS. The vesting of the 322,580 free ordinary shares in HLB will be done in tranches over a period of 2 years from the date of the grant.

During the financial period ended 31 December 2017, a total of 2,067,910 share options lapsed arising from the resignation of some option holders pursuant to the Bank's ESS.

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A6 Issuance and repayment of debt and equity securities (continued)

c) Issuance of Multi-currency Additional Tier 1 capital securities

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual multi-currency Additional Tier 1 capital securities ("capital securities"). The capital securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The capital securities are perpetual with a Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 perpetual subordinated sukuk wakalah issued by Hong Leong Islamic Bank Berhad ("HLISB"), a wholly-owned subsidiary of the Bank.

A7 Dividends paid

A final single tier dividend of 30.0 sen per share in respect of financial year ended 30 June 2017 amounting to RM613.7 million was paid on 15 November 2017.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Bank Negara Malaysia bills	16,560	-	16,560	-
Malaysian Government securities	54,044	433,166	54,044	433,166
Malaysian Government investment certificates	1,203,134	684,572	1,111,830	511,679
Negotiable instruments of deposit	4,810,185	3,946,521	3,105,924	4,027,953
Cagamas bonds	-	1,013	-	1,013
Other Government securities	-	47,996	-	47,996
	<u>6,083,923</u>	<u>5,113,268</u>	<u>4,288,358</u>	<u>5,021,807</u>
Quoted securities:				
Foreign currency bonds in Malaysia	56,716	195,592	56,716	195,592
Foreign currency bonds outside Malaysia	58,480	62,860	58,480	62,860
Unquoted securities:				
Malaysian Government sukuk	-	191,394	-	-
Corporate bonds and sukuk	35,591	96,525	35,591	96,525
Foreign currency bonds outside Malaysia	-	28,526	-	28,526
Total financial assets held-for-trading	<u><u>6,234,710</u></u>	<u><u>5,688,165</u></u>	<u><u>4,439,145</u></u>	<u><u>5,405,310</u></u>

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A9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Malaysian Government securities	-	130,659	-	130,659
Malaysian Government investment certificates	4,966,772	4,385,118	3,738,626	3,086,177
Other Government securities	639,930	329,592	571,251	239,189
Cagamas bonds	1,290,869	1,388,060	1,174,263	1,247,119
Khazanah bonds	579,798	406,904	579,798	406,904
	<u>7,477,369</u>	<u>6,640,333</u>	<u>6,063,938</u>	<u>5,110,048</u>
Quoted securities:				
Shares outside Malaysia	27	27	27	27
Wholesale fund/unit trust	6,907,226	5,203,264	6,907,226	5,203,264
Foreign currency bonds in Malaysia	3,145,205	3,056,104	3,133,725	3,043,838
Foreign currency bonds outside Malaysia	1,502,310	1,818,131	1,502,310	1,818,131
Unquoted securities:				
Malaysian Government sukuk	2,182,701	2,040,793	1,852,424	1,849,179
Corporate bonds and sukuk	8,697,656	7,508,144	7,652,571	6,474,372
Shares in Malaysia	454,683	454,740	454,683	454,740
Shares outside Malaysia	152,357	149,361	152,357	149,361
Foreign currency bonds in Malaysia	1,211,055	294,300	1,211,055	294,300
Foreign currency bonds outside Malaysia	588,784	489,020	588,784	489,020
Total financial investments available-for-sale	<u><u>32,319,373</u></u>	<u><u>27,654,217</u></u>	<u><u>29,519,100</u></u>	<u><u>24,886,280</u></u>

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A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Money market instruments:				
Government treasury bills	53,802	57,367	53,802	57,367
Malaysian Government securities	2,423,672	2,553,716	2,423,672	2,553,716
Malaysian Government investment certificates	8,444,649	8,964,061	6,253,932	6,661,173
Other Government securities	471,429	484,230	380,627	390,232
	<u>11,393,552</u>	<u>12,059,374</u>	<u>9,112,033</u>	<u>9,662,488</u>
Unquoted securities:				
Loan stocks	48	48	48	48
Malaysian Government sukuk	1,274,617	814,591	803,224	559,666
Corporate bonds and sukuk	486	486	486	486
Redeemable preference shares	32,066	32,066	32,066	32,066
Foreign currency bonds outside Malaysia	98,105	154,039	98,105	154,039
	<u>1,405,322</u>	<u>1,001,230</u>	<u>933,929</u>	<u>746,305</u>
Total financial investments held-to-maturity	<u>12,798,874</u>	<u>13,060,604</u>	<u>10,045,962</u>	<u>10,408,793</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Overdrafts	3,630,333	3,776,243	3,207,250	3,346,825
Term loans/financing:				
- Housing and shop loans/financing	68,152,045	65,998,057	55,406,976	54,037,251
- Syndicated/term loans or financing	9,407,204	9,225,253	7,699,776	7,773,693
- Hire purchase receivables	17,582,801	18,159,364	14,130,281	14,588,595
- Other term loans/financing	7,388,876	7,898,856	5,448,872	5,739,809
Credit/charge card receivables	3,911,225	3,997,701	3,911,225	3,997,701
Bills receivable	1,119,827	1,081,635	1,044,546	1,000,654
Trust receipts	312,641	314,042	268,020	265,020
Claims on customers under acceptance credits	7,201,215	7,451,325	6,759,855	6,967,783
Revolving credit	6,221,512	6,611,688	4,835,910	5,171,465
Staff loans/financing	145,732	146,672	141,063	141,834
Other loans/financing	475,915	485,668	475,911	485,664
Gross loans, advances and financing	<u>125,549,326</u>	<u>125,146,504</u>	<u>103,329,685</u>	<u>103,516,294</u>
Fair value changes arising from fair value hedges	(726)	(34)	(726)	(34)
Unamortised fair value changes arising from terminated fair value hedges	(18)	(36)	-	-
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(837,487)	(830,067)	(663,001)	(666,787)
- Individual assessment allowance	(330,202)	(325,426)	(305,106)	(310,923)
Total net loans, advances and financing	<u><u>124,380,893</u></u>	<u><u>123,990,941</u></u>	<u><u>102,360,852</u></u>	<u><u>102,538,550</u></u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM180,268,000 (2017: RM184,571,000) and RM180,268,000 (2017: RM184,571,000) respectively.

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A11 Loans, advances and financing (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic non-bank financial institutions	518,758	651,907	200,442	226,859
Domestic business enterprises:				
- small and medium enterprises	20,767,266	20,377,235	18,087,773	17,888,565
- others	14,257,766	15,370,541	11,581,773	12,440,268
Government and statutory bodies	23,653	29,072	11,951	17,492
Individuals	82,740,855	81,370,008	66,469,176	65,852,784
Other domestic entities	274,696	79,052	216,580	21,655
Foreign entities	6,966,332	7,268,689	6,761,990	7,068,671
Gross loans, advances and financing	<u>125,549,326</u>	<u>125,146,504</u>	<u>103,329,685</u>	<u>103,516,294</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed rate:				
- Housing and shop loans/financing	4,461,956	4,753,906	3,133,977	3,371,016
- Hire purchase receivables	17,215,398	17,747,828	13,762,878	14,177,059
- Other fixed rate loan/financing	6,495,996	6,928,471	5,326,173	5,818,422
Variable rate:				
- Base rate/base lending rate plus	81,007,514	78,636,505	67,747,287	66,091,018
- Cost plus	15,967,503	16,681,983	13,359,370	14,058,779
- Other variables rates	400,959	397,811	-	-
Gross loans, advances and financing	<u>125,549,326</u>	<u>125,146,504</u>	<u>103,329,685</u>	<u>103,516,294</u>

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A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	465,845	490,252	463,856	486,882
Purchase of transport vehicles	17,311,303	17,583,583	13,806,387	13,949,451
Purchase of landed properties				
- residential	59,118,037	56,860,638	47,453,581	46,001,510
- non-residential	15,676,829	15,774,407	14,253,450	14,427,100
Purchase of fixed assets (excluding landed properties)	416,711	379,050	358,759	326,595
Personal use	3,339,000	3,563,125	2,315,529	2,611,693
Credit card	3,911,225	3,997,701	3,911,225	3,997,701
Construction	1,395,461	1,238,539	957,145	894,464
Mergers and acquisition	179,880	201,182	179,880	201,182
Working capital	22,403,626	23,190,404	18,703,789	19,087,337
Other purpose	1,331,409	1,867,623	926,084	1,532,379
Gross loans, advances and financing	<u>125,549,326</u>	<u>125,146,504</u>	<u>103,329,685</u>	<u>103,516,294</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	119,104,190	118,561,256	98,168,387	98,137,161
Singapore	5,161,298	5,379,133	5,161,298	5,379,133
Vietnam	400,960	397,813	-	-
Cambodia	882,878	808,302	-	-
Gross loans, advances and financing	<u>125,549,326</u>	<u>125,146,504</u>	<u>103,329,685</u>	<u>103,516,294</u>

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A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	25,527,171	26,570,075	23,003,549	23,576,443
One year to less than three years	5,844,214	5,481,213	4,896,076	4,617,290
Three years to less than five years	9,329,090	10,265,641	7,403,819	8,396,767
Five years and more	84,848,851	82,829,575	68,026,241	66,925,794
Gross loans, advances and financing	<u>125,549,326</u>	<u>125,146,504</u>	<u>103,329,685</u>	<u>103,516,294</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	1,413	2,196	1,413	2,196
Purchase of transport vehicles	147,915	142,643	112,660	108,758
Purchase of landed properties				
- residential	324,368	306,758	241,474	225,075
- non-residential	141,778	133,296	139,215	131,408
Purchase of fixed assets (excluding landed properties)	1,403	3,332	1,381	2,101
Personal use	49,418	44,066	36,460	34,086
Credit card	40,565	48,005	40,565	48,005
Construction	4,938	7,209	3,135	5,399
Working capital	492,672	499,734	437,992	444,903
Other purpose	11,603	16,201	11,038	16,051
Gross impaired loans, advances and financing	<u>1,216,073</u>	<u>1,203,440</u>	<u>1,025,333</u>	<u>1,017,982</u>

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A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,202,881	1,197,355	1,016,990	1,017,511
Singapore	8,343	471	8,343	471
Vietnam	4,191	5,098	-	-
Cambodia	658	516	-	-
Gross impaired loans, advances and financing	<u>1,216,073</u>	<u>1,203,440</u>	<u>1,025,333</u>	<u>1,017,982</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	1,203,440	956,579	1,017,982	836,568
Classified as impaired during the financial year	807,516	1,813,591	632,595	1,466,120
Reclassified as non-impaired during the financial year	(459,116)	(821,519)	(342,330)	(639,505)
Amount written back in respect of recoveries	(174,186)	(336,403)	(149,160)	(285,379)
Amount written off	(157,809)	(407,656)	(130,283)	(358,292)
Exchange difference	(3,772)	(1,152)	(3,471)	(1,530)
At 31 December	<u>1,216,073</u>	<u>1,203,440</u>	<u>1,025,333</u>	<u>1,017,982</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>

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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>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</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	830,067	856,057	666,787	714,272
Net allowances made during the financial period/year	155,873	283,057	118,228	217,958
Amount transferred to individual assessment	-	(729)	-	(744)
Amount written off	(140,827)	(298,120)	(116,101)	(256,059)
Unwinding income	(7,141)	(10,732)	(5,742)	(8,911)
Exchange difference	(485)	534	(171)	271
At 31 December	<u>837,487</u>	<u>830,067</u>	<u>663,001</u>	<u>666,787</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	325,426	289,744	310,923	280,216
Allowances made during the financial period/year	39,469	162,669	27,034	149,891
Amount transferred from collective assessment	-	729	-	744
Amount written back in respect of recoveries	(23,376)	(46,433)	(22,839)	(42,003)
Amount written off	(3,506)	(72,260)	(2,254)	(68,890)
Unwinding income	(4,280)	(8,741)	(4,273)	(8,712)
Exchange difference	(3,531)	(282)	(3,485)	(323)
At 31 December	<u>330,202</u>	<u>325,426</u>	<u>305,106</u>	<u>310,923</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2017 RM'000	30/06/2017 RM'000	31/12/2017 RM'000	30/06/2017 RM'000
Foreclosed properties	46	46	46	46
Sundry debtors and other prepayments	145,487	154,350	134,419	144,081
Treasury related receivables	54,743	457,935	54,743	393,525
Cash collateral pledged for derivative transactions	528,849	653,625	528,849	653,625
Other receivables	123,315	141,775	60,509	118,062
	<u>852,440</u>	<u>1,407,731</u>	<u>778,566</u>	<u>1,309,339</u>

A13 Investment in joint venture

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2017 RM'000	30/06/2017 RM'000	31/12/2017 RM'000	30/06/2017 RM'000
<u>Retained portion</u>				
Unquoted shares outside Malaysia, at cost	24,657	24,657	24,657	24,657
Cumulative share of results, net of dividends received	22,789	20,882	-	-
Exchange fluctuation reserve	7,817	8,842	-	-
	<u>55,263</u>	<u>54,381</u>	<u>24,657</u>	<u>24,657</u>
Equity interest held for sale	116,665	114,804	52,054	52,054
	<u>171,928</u>	<u>169,185</u>	<u>76,711</u>	<u>76,711</u>

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

In March 2017, the Board of Directors has approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The completion of the sale is currently pending the China Banking Regulatory Commission approval. Upon the divestment exercise, the retained interest of 12% of the expanded capital will be recognised as financial asset in accordance with MFRS 139 'Financial Instruments: Recognition and Measurement'.

Investment in joint venture classified as held for sale as at the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The investment classified as held for sale amounted to RM116,665,000 for the financial period ended 31 December 2017 (30 June 2017: RM114,804,000).

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

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A14 Deposits from customers

A14a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Amortised cost				
Fixed deposits	89,472,805	87,976,350	72,879,250	71,583,689
Negotiable instruments of deposits	6,848,895	5,713,184	5,571,768	4,913,965
Short-term placements	13,927,442	19,281,420	12,932,234	17,987,726
	<u>110,249,142</u>	<u>112,970,954</u>	<u>91,383,252</u>	<u>94,485,380</u>
Demand deposits	23,904,690	21,232,553	20,825,110	18,142,847
Saving deposits	17,404,122	17,531,603	14,578,839	14,701,048
Others	959,359	1,017,170	833,750	901,445
	<u>152,517,313</u>	<u>152,752,280</u>	<u>127,620,951</u>	<u>128,230,720</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	2,957,840	2,597,863	2,008,269	1,708,752
Fair value changes arising from designation at fair value through profit or loss *	(142,781)	(116,938)	(97,696)	(80,069)
	<u>2,815,059</u>	<u>2,480,925</u>	<u>1,910,573</u>	<u>1,628,683</u>
	<u>155,332,372</u>	<u>155,233,205</u>	<u>129,531,524</u>	<u>129,859,403</u>

* The Group and the Bank have issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. This designation is permitted under MFRS 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 which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

A14b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Government and statutory bodies	5,093,326	2,939,005	3,559,711	1,872,815
Business enterprises	63,187,378	63,339,512	50,099,047	49,509,606
Individuals	84,281,779	86,175,897	73,463,115	76,006,815
Others	2,769,889	2,778,791	2,409,651	2,470,167
	<u>155,332,372</u>	<u>155,233,205</u>	<u>129,531,524</u>	<u>129,859,403</u>

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A14 Deposits from customers (continued)

A14c 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>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Due within six months	83,565,832	93,770,712	69,193,136	78,802,850
More than six months to one year	23,193,666	17,376,145	19,098,988	13,904,358
More than one year to five years	3,489,644	1,824,097	3,091,128	1,778,172
	<u>110,249,142</u>	<u>112,970,954</u>	<u>91,383,252</u>	<u>94,485,380</u>

A15 Deposits and placements of banks and other financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Licensed banks	7,464,445	5,484,605	7,142,501	5,460,076
Licensed investment banks	38,909	-	-	-
Other financial institutions	71,849	2,087	50,162	-
	<u>7,575,203</u>	<u>5,486,692</u>	<u>7,192,663</u>	<u>5,460,076</u>
The maturity structure of deposits and placements of banks and other financial institutions: - One year or less (short-term)	<u>7,575,203</u>	<u>5,486,692</u>	<u>7,192,663</u>	<u>5,460,076</u>

A16 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Zakat	525	350	-	-
Post employment benefits obligation - defined contribution plan	296	294	296	294
Loan advance payment	3,106,766	2,987,067	2,502,459	2,415,873
Amount due to subsidiary companies	-	-	-	57,820
Treasury and cheque clearing	78,104	129,556	78,089	129,556
Treasury related payables	161,913	235,295	161,913	235,295
Sundry creditors and accruals	310,753	310,745	367,485	283,492
Provision for bonus and staff related expenses	201,374	157,091	197,495	150,118
Others	791,929	232,269	445,472	203,241
	<u>4,651,660</u>	<u>4,052,667</u>	<u>3,753,209</u>	<u>3,475,689</u>

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A17 Tier 2 subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>31/12/2017</u>	<u>30/06/2017</u>	<u>31/12/2017</u>	<u>30/06/2017</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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		1,849	1,664	1,849	1,664
		<u>1,501,849</u>	<u>1,501,664</u>	<u>1,501,849</u>	<u>1,501,664</u>
Less: Unamortised discounts		(168)	(277)	(168)	(277)
		<u>1,501,681</u>	<u>1,501,387</u>	<u>1,501,681</u>	<u>1,501,387</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	400,000	400,000	-	-
Add: Profit payable		736	631	-	-
		<u>400,736</u>	<u>400,631</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(84)	(128)	-	-
		<u>400,652</u>	<u>400,503</u>	<u>-</u>	<u>-</u>
RM500 million Tier 2 subordinated notes, at par	(c)	500,000	500,000	500,000	500,000
Add: Interest payable		395	526	395	526
		<u>500,395</u>	<u>500,526</u>	<u>500,395</u>	<u>500,526</u>
Less: Unamortised discounts		(164)	(271)	(164)	(271)
		<u>500,231</u>	<u>500,255</u>	<u>500,231</u>	<u>500,255</u>
		<u>2,402,564</u>	<u>2,402,145</u>	<u>2,001,912</u>	<u>2,001,642</u>

(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, 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.

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A17 Tier 2 subordinated bonds (continued)

- (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.

A18 Multi-currency Additional Tier 1 capital securities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/12/2017</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
RM400 million Multi-currency Additional Tier-1 Capital Securities at par	400,000	-	400,000	-
Add: Interest payable	1,799	-	1,799	-
	<u>401,799</u>	<u>-</u>	<u>401,799</u>	<u>-</u>
Less: Unamortised discounts	(673)	-	(673)	-
	<u>401,126</u>	<u>-</u>	<u>401,126</u>	<u>-</u>

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual multi-currency Additional Tier 1 capital securities ("capital securities"). The capital securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The capital securities are perpetual with a Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 perpetual subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

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A19 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>31/12/2017</u>	<u>30/06/2017</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	12,658	12,771
	<u>512,658</u>	<u>512,771</u>
Less: Unamortised discounts	(3,339)	(4,223)
Fair value adjustments on completion of business combination accounting	4,324	7,075
	<u><u>513,643</u></u>	<u><u>515,623</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.

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A20 Interest income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Group				
Loan, advances and financing	1,158,206	1,163,641	2,318,675	2,323,536
Money at call and deposit placements with financial institutions	41,281	22,739	86,291	51,529
Securities purchased under resale agreements	1,090	10,908	2,038	35,279
Financial assets held-for-trading	100,417	97,244	195,167	193,172
Financial investments available-for-sale	191,979	162,409	366,270	308,368
Financial investments held-to-maturity	91,140	84,339	186,945	173,240
Others	514	188	1,445	335
	<u>1,584,627</u>	<u>1,541,468</u>	<u>3,156,831</u>	<u>3,085,459</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>13,024</u>	<u>5,930</u>	<u>27,082</u>	<u>12,467</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank				
Loan, advances and financing	1,138,313	1,144,636	2,279,314	2,285,799
Money at call and deposit placements with financial institutions	43,075	21,064	87,993	49,069
Securities purchased under resale agreements	1,090	10,908	2,038	35,279
Financial assets held-for-trading	100,417	98,623	195,249	195,124
Financial investments available-for-sale	191,086	161,071	364,286	305,810
Financial investments held-to-maturity	89,904	83,098	184,448	173,512
Others	386	140	1,240	265
	<u>1,564,271</u>	<u>1,519,540</u>	<u>3,114,568</u>	<u>3,044,858</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>13,024</u>	<u>5,930</u>	<u>27,082</u>	<u>12,467</u>

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A21 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Deposits and placements of banks and other financial institutions	42,142	19,759	74,262	38,049
Deposits from customers	677,150	698,450	1,353,617	1,405,946
Short-term placements	81,276	67,811	169,833	150,817
Senior bonds	-	10,743	-	20,865
Tier 2 subordinated bonds	23,164	23,226	46,343	46,472
Multi-currency Additional Tier-1 capital securities	826	-	826	-
Innovative Tier 1 capital securities	9,488	8,773	18,927	17,512
Recourse obligation on loans sold to Cagamas	1,916	1,916	3,832	2,957
Borrowings	-	2,214	-	3,822
	<u>835,962</u>	<u>832,892</u>	<u>1,667,640</u>	<u>1,686,440</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	44,194	20,462	78,833	39,298
Deposits from customers	666,034	689,121	1,330,769	1,390,665
Short-term placements	81,276	67,811	169,833	150,817
Senior bonds	-	10,743	-	20,865
Tier 2 subordinated bonds	23,164	23,226	46,343	46,468
Multi-currency Additional Tier-1 capital securities	1,810	-	1,810	-
Innovative Tier 1 capital securities	9,488	8,773	18,927	17,512
Recourse obligation on loans sold to Cagamas	1,916	1,916	3,832	2,957
	<u>827,882</u>	<u>822,052</u>	<u>1,650,347</u>	<u>1,668,582</u>

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A22 Net income from Islamic Banking business

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds and others	311,504	267,592	617,654	532,732
of which Finance income	312,937	268,638	613,500	528,264
of which other operating income	(1,433)	(1,046)	4,154	4,468
Income derived from investment of shareholders' funds	37,834	38,116	73,005	73,821
of which Finance income	27,212	23,363	53,348	45,938
of which other operating income	10,622	14,753	19,657	27,883
Income attributable to depositors	(192,505)	(167,298)	(374,016)	(338,542)
	156,833	138,410	316,643	268,011

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A23 Other operating income

Group	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	43,563	39,637	87,962	79,383
Service charges and fees	17,972	16,611	30,569	28,607
Guarantee fees	3,619	4,209	6,437	7,099
Credit card related fees	59,809	64,781	115,238	123,478
Corporate advisory fees	108	1,221	375	1,221
Commitment fees	8,384	8,976	16,972	17,846
Fee on loans, advances and financing	10,045	19,006	19,027	31,832
Other fee income	7,043	16,620	13,976	23,144
	<u>150,543</u>	<u>171,061</u>	<u>290,556</u>	<u>312,610</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain/(loss) from sale of financial assets held-for-trading	4,040	(5,403)	15,085	10,565
Net (loss)/gain from sale of derivative financial instruments	(19,363)	681	(24,440)	(12,214)
Net gain/(loss) from sale of financial investments available-for-sale	31,360	(8,964)	72,032	15,683
Net gain from redemption of financial investments held-to-maturity	-	31	-	35
	<u>16,037</u>	<u>(13,655)</u>	<u>62,677</u>	<u>14,069</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>71,312</u>	<u>64,512</u>	<u>137,372</u>	<u>129,653</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(490)	(30,740)	(2,705)	(25,689)
- Derivatives financial instruments	57,859	124,605	67,974	134,324
	<u>57,369</u>	<u>93,865</u>	<u>65,269</u>	<u>108,635</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(271)</u>	<u>(5)</u>	<u>(445)</u>	<u>(26)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(35)</u>	<u>-</u>	<u>(36)</u>	<u>-</u>
(g) <u>Other income:</u>				
Foreign exchange gain	21,095	11,494	32,993	33,311
Rental income	1,898	1,211	3,563	2,062
Gain on disposal of property and equipment	1,307	6	1,762	1,013
Other non-operating income	3,802	3,265	7,640	6,625
	<u>28,102</u>	<u>15,976</u>	<u>45,958</u>	<u>43,011</u>
Total other operating income	<u>323,057</u>	<u>331,754</u>	<u>601,351</u>	<u>607,952</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	42,367	39,032	85,976	78,277
Service charges and fees	17,799	16,439	30,272	28,302
Guarantee fees	3,602	4,184	6,392	7,064
Credit card related fees	59,809	64,781	115,238	123,478
Corporate advisory fees	108	1,221	375	1,221
Commitment fees	8,238	8,873	16,658	17,652
Fee on loans, advances and financing	8,861	17,487	16,906	29,716
Other fee income	6,988	16,462	13,879	22,971
	<u>147,772</u>	<u>168,479</u>	<u>285,696</u>	<u>308,681</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain/(loss) from sale of financial assets held-for-trading	4,040	(5,403)	15,085	10,565
Net (loss)/gain from sale of derivative financial instruments	(19,363)	681	(24,440)	(12,214)
Net gain/(loss) from sale of financial investments available-for-sale	31,360	(9,161)	71,813	15,486
Net gain from redemption of financial investments held-to-maturity	-	31	-	35
	<u>16,037</u>	<u>(13,852)</u>	<u>62,458</u>	<u>13,872</u>
(c) <u>Gross dividend income from:</u>				
Associated company	-	-	-	121,461
Investment in joint venture	-	-	4,882	4,698
Financial investments available-for-sale	71,312	64,512	137,372	129,653
	<u>71,312</u>	<u>64,512</u>	<u>142,254</u>	<u>255,812</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets held-for-trading	(490)	(30,740)	(2,705)	(25,689)
- Derivatives financial instruments	57,859	124,605	67,974	134,324
	<u>57,369</u>	<u>93,865</u>	<u>65,269</u>	<u>108,635</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(271)</u>	<u>(5)</u>	<u>(445)</u>	<u>(26)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(35)</u>	<u>-</u>	<u>(36)</u>	<u>-</u>
(g) <u>Other income:</u>				
Foreign exchange gain	20,501	11,214	32,203	32,836
Rental income	1,173	1,211	2,838	2,062
Gain on disposal of property and equipment	1,307	6	1,762	1,013
Other non-operating income	3,662	3,803	7,381	7,153
	<u>26,643</u>	<u>16,234</u>	<u>44,184</u>	<u>43,064</u>
Total other operating income	<u>318,827</u>	<u>329,233</u>	<u>599,380</u>	<u>730,038</u>

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A24 Other operating expenses

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Group				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	261,181	256,324	512,997	506,214
- Medical expenses	7,910	6,490	15,350	12,047
- Training and convention expenses	7,627	8,680	13,341	17,466
- Staff welfare	2,289	2,514	4,002	6,014
- Others	6,466	8,169	12,753	16,353
	285,473	282,177	558,443	558,094
<u>Establishment costs</u>				
- Depreciation of property and equipment	26,845	20,976	52,953	42,923
- Amortisation of intangible assets	18,856	18,498	37,795	36,933
- Rental of premises	20,172	21,193	40,048	41,740
- Information technology expenses	40,115	32,774	80,056	70,762
- Security services	4,791	7,653	12,814	14,196
- Electricity, water and sewerage	6,837	5,787	13,643	11,925
- Hire of plant and machinery	3,119	3,743	6,323	7,135
- Others	7,123	5,721	15,677	10,555
	127,858	116,345	259,309	236,169
<u>Marketing expenses</u>				
- Advertisement and publicity	8,662	8,101	17,846	12,798
- Credit card related fees	31,219	28,752	56,536	57,045
- Others	4,124	4,000	7,664	7,422
	44,005	40,853	82,046	77,265
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,084	4,066	8,133	8,543
- Stationery and printing expenses	3,471	4,837	6,712	8,215
- Professional fees	18,932	15,653	42,419	31,496
- Insurance fees	11,306	10,156	21,340	19,674
- Stamp, postage and courier	3,233	4,695	7,362	9,173
- Travelling and transport expenses	1,004	963	1,921	2,029
- Registration and license fees	2,260	2,243	4,548	4,542
- Brokerage and commission	1,964	1,406	3,421	3,021
- Credit card fees	10,985	8,922	20,550	17,989
- Others	1,267	8,385	6,783	15,176
	58,506	61,326	123,189	119,858
	515,842	500,701	1,022,987	991,386

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A24 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	220,111	213,802	429,662	422,497
- Medical expenses	6,754	5,458	13,230	10,032
- Training and convention expenses	6,208	7,908	11,060	15,754
- Staff welfare	1,946	2,104	3,377	5,339
- Others	4,977	6,392	9,880	13,011
	<u>239,996</u>	<u>235,664</u>	<u>467,209</u>	<u>466,633</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	25,136	19,338	49,533	39,741
- Amortisation of intangible assets	17,822	17,542	35,719	35,072
- Rental of premises	24,480	17,405	45,811	33,939
- Information technology expenses	37,432	29,130	74,474	63,555
- Security services	3,548	6,184	10,009	11,442
- Electricity, water and sewerage	4,951	4,984	10,377	10,287
- Hire of plant and machinery	2,952	3,496	5,993	6,738
- Others	2,885	817	8,737	2,170
	<u>119,206</u>	<u>98,896</u>	<u>240,653</u>	<u>202,944</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	7,850	7,645	16,444	11,721
- Credit card related fees	31,219	28,752	56,536	57,045
- Others	3,607	3,331	6,581	6,292
	<u>42,676</u>	<u>39,728</u>	<u>79,561</u>	<u>75,058</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,977	3,976	7,940	8,380
- Stationery and printing expenses	3,254	4,679	6,225	7,925
- Professional fees	17,908	14,799	40,655	30,272
- Insurance fees	9,935	9,043	18,722	17,548
- Stamp, postage and courier	3,168	4,587	7,220	9,005
- Travelling and transport expenses	718	659	1,397	1,465
- Registration and license fees	2,012	1,992	4,049	4,059
- Brokerage and commission	955	662	1,666	1,518
- Credit card fees	10,985	8,922	20,550	17,989
- Others	477	8,455	5,421	18,512
	<u>53,389</u>	<u>57,774</u>	<u>113,845</u>	<u>116,673</u>
	<u>455,267</u>	<u>432,062</u>	<u>901,268</u>	<u>861,308</u>

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A25 Allowance for impairment losses on loans, advances and financing

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	62,924	70,091	155,873	140,361
- individual assessment allowance	14,572	10,635	16,093	18,027
Impaired loans and financing:				
- written off	5,288	5,432	10,579	10,683
- recovered from bad debt written off	(72,308)	(57,777)	(128,656)	(117,636)
	<u>10,476</u>	<u>28,381</u>	<u>53,889</u>	<u>51,435</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	48,907	58,245	118,228	117,087
- individual assessment allowance	9,166	11,129	4,195	14,618
Impaired loans and financing:				
- written off	4,418	4,944	8,854	9,531
- recovered from bad debt written off	(48,828)	(53,337)	(99,351)	(106,203)
	<u>13,663</u>	<u>20,981</u>	<u>31,926</u>	<u>35,033</u>

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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) reissued on 4 August 2017. 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 Period Ended 31/12/2017	Financial Year Ended 30/06/2017	Financial Period Ended 31/12/2017	Financial Year Ended 30/06/2017
Before deducting proposed dividends				
CET I capital ratio	13.351%	13.788%	12.772%	13.078%
Tier I capital ratio	14.056%	14.193%	13.233%	13.556%
Total capital ratio	<u>16.042%</u>	<u>16.280%</u>	<u>15.575%</u>	<u>15.997%</u>
After deducting proposed dividends				
CET I capital ratio	13.094%	13.286%	12.468%	12.486%
Tier I capital ratio	13.798%	13.691%	12.929%	12.964%
Total capital ratio	<u>15.785%</u>	<u>15.779%</u>	<u>15.271%</u>	<u>15.405%</u>

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A26 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/12/2017 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Period Ended 31/12/2017 RM'000	Financial Year Ended 30/06/2017 RM'000
CET I capital				
Paid-up share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	13,965,303	13,560,582	10,516,482	10,245,205
Other reserves	1,094,201	1,265,223	373,235	422,954
Less: Treasury shares	(733,961)	(733,961)	(733,961)	(733,961)
Less: Deferred tax assets	(899)	(4,851)	-	-
Less: Other intangible assets	(178,749)	(213,323)	(161,322)	(194,870)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(3,075,342)	(2,908,861)	(2,209,880)	(2,148,516)
Total CET I capital	16,978,304	16,872,560	13,752,070	13,558,328
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	399,327	-	399,327	-
Innovative Tier I capital securities	496,662	495,778	496,662	495,778
Additional Tier I capital before regulatory adjustments	895,989	495,778	895,989	495,778
Less : Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	-
Additional Tier I capital after regulatory adjustments	895,989	495,778	495,989	495,778
Total Tier I capital	17,874,293	17,368,338	14,248,059	14,054,106
Tier II capital				
Collective assessment allowance ^ and regulatory reserves #	1,294,938	1,281,686	1,074,657	1,067,705
Subordinated bonds	1,999,832	1,999,723	1,999,832	1,999,723
Tier II capital before regulatory adjustments	3,294,770	3,281,409	3,074,489	3,067,428
Less : Investment in subsidiary companies/ associated company/joint venture	(768,836)	(727,215)	(552,470)	(537,129)
Total Tier II capital	2,525,934	2,554,194	2,522,019	2,530,299
Total capital	20,400,227	19,922,532	16,770,078	16,584,405

^ 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 RM665,084,000 (2017: RM667,238,000) and RM573,295,000 (2017: RM571,678,000) respectively.

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A26 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/12/2017 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Period Ended 31/12/2017 RM'000	Financial Year Ended 30/06/2017 RM'000
Credit risk	116,231,457	111,299,987	97,505,922	93,397,418
Market risk	2,770,970	3,115,525	3,091,767	3,340,119
Operational risk	8,165,274	7,958,340	7,073,295	6,934,552
Total RWA	127,167,701	122,373,852	107,670,984	103,672,089

The Bank and its Islamic subsidiary, HLISB's profit after tax for the half year ended 31 December 2017, had been subjected to a limited review by our external auditors. As such the Bank's and HLISB's profit after tax for the half year ended 31 December 2017 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios accordingly.

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

	Hong Leong Islamic Bank Berhad	
	Financial Period Ended 31/12/2017	Financial Year Ended 30/06/2017
Before deducting proposed dividends		
CET I capital ratio	10.931%	10.622%
Tier I capital ratio	13.043%	10.622%
Total capital ratio	<u>16.268%</u>	<u>13.946%</u>
After deducting proposed dividends		
CET I capital ratio	10.701%	10.622%
Tier I capital ratio	12.814%	10.622%
Total capital ratio	<u>16.038%</u>	<u>13.946%</u>

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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 31/12/2017

	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	689,509	163,691	333,368	57,755	(6,670)	(9,098)	1,228,555
Inter-segment revenue	(23,134)	120,229	(181,127)	-	84,032	-	-
Segment revenue	<u>666,375</u>	<u>283,920</u>	<u>152,241</u>	<u>57,755</u>	<u>77,362</u>	<u>(9,098)</u>	<u>1,228,555</u>
Segment profit before taxation	314,099	202,700	126,413	24,730	43,803	(8,953)	702,792
Share of profit after tax of equity accounted associated company				125,379			125,379
Share of profit after tax of equity accounted joint venture				4,928			4,928
Profit before taxation							<u>833,099</u>
Taxation							(150,028)
Profit after taxation							<u><u>683,071</u></u>

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

Financial period ended 31/12/2017

	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	1,341,343	327,406	657,041	122,628	(21,913)	(19,320)	2,407,185
Inter-segment revenue	(35,150)	235,038	(373,807)	-	173,919	-	-
Segment revenue	<u>1,306,193</u>	<u>562,444</u>	<u>283,234</u>	<u>122,628</u>	<u>152,006</u>	<u>(19,320)</u>	<u>2,407,185</u>
Segment profit before taxation	596,882	402,838	232,582	40,298	77,358	(19,093)	1,330,865
Share of profit after tax of equity accounted associated company				273,131			273,131
Share of profit after tax of equity accounted joint venture				9,495			9,495
Profit before taxation							<u>1,613,491</u>
Taxation							<u>(291,452)</u>
Profit after taxation							<u>1,322,039</u>
Segment assets	88,993,832	29,289,641	60,572,516	13,298,498	-	-	192,154,487
Unallocated assets							9,997,770
Total assets							<u>202,152,257</u>

Corresponding quarter ended 31/12/2016

	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	648,407	185,293	351,057	58,196	(59,974)	(4,239)	1,178,740
Inter-segment revenue	(12,263)	101,577	(193,761)	-	104,447	-	-
Segment revenue	<u>636,144</u>	<u>286,870</u>	<u>157,296</u>	<u>58,196</u>	<u>44,473</u>	<u>(4,239)</u>	<u>1,178,740</u>
Segment profit before taxation	313,210	208,684	130,780	6,411	(3,205)	(4,596)	651,284
Share of profit after tax of equity accounted associated company				39,768			39,768
Share of profit after tax of equity accounted joint venture				5,578			5,578
Profit before taxation							<u>696,630</u>
Taxation							<u>(146,695)</u>
Profit after taxation							<u>549,935</u>

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

Corresponding financial period ended 31/12/2016

	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	1,270,355	335,509	690,129	116,848	(6,001)	(131,858)	2,274,982
Inter-segment revenue	(38,861)	208,217	(382,644)	-	213,288	-	-
Segment revenue	<u>1,231,494</u>	<u>543,726</u>	<u>307,485</u>	<u>116,848</u>	<u>207,287</u>	<u>(131,858)</u>	<u>2,274,982</u>
Segment profit before taxation	569,286	385,619	250,130	19,369	136,997	(130,974)	1,230,427
Share of profit after tax of equity accounted associated company				129,016			129,016
Share of profit after tax of equity accounted joint venture				11,806			11,806
Profit before taxation							<u>1,371,249</u>
Taxation							<u>(278,687)</u>
Profit after taxation							<u>1,092,562</u>
Segment assets	85,761,582	30,549,319	53,376,006	12,433,809	-	-	182,120,716
Unallocated assets							9,570,229
Total assets							<u>191,690,945</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 period

There are no material events subsequent to the end of the financial period ended 31 December 2017.

A29(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period ended 31 December 2017 and up to the date of this report except for the following:

On 31 January 2018, our associated company, Bank of Chengdu Co., Ltd. ("BOCD") was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Bank's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20%.

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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:

	The Group		The Bank	
	31/12/2017 RM'000	30/06/2017 RM'000	31/12/2017 RM'000	30/06/2017 RM'000
Principal amount				
Direct credit substitutes	80,688	81,785	28,043	28,387
Certain transaction related contingent items	1,298,969	1,391,110	1,167,345	1,285,746
Short-term self liquidating trade related contingencies	977,840	769,864	955,763	733,985
Irrevocable commitments to extend credit:				
- maturity more than one year	13,318,465	13,257,147	9,612,031	9,601,053
- maturity less than one year	16,228,138	16,097,927	14,425,919	14,562,467
Foreign exchange related contracts:				
- less than one year	37,691,849	35,909,765	36,834,848	35,531,864
- one year to less than five years	3,065,991	3,646,999	3,065,991	3,646,999
- five years and above	968,207	1,153,405	968,207	1,153,405
Interest rate related contracts:				
- less than one year	69,444,831	43,388,997	69,194,831	43,138,997
- one year to less than five years	36,110,805	34,308,796	36,955,805	34,423,796
- five years and above	5,030,404	5,562,786	5,830,404	4,862,786
Equity related contracts:				
- less than one year	314,918	155,471	314,918	155,471
- one year to less than five years	296,620	279,187	296,620	279,187
Commodity related contracts:				
Unutilised credit card lines	6,989,486	7,001,256	6,989,486	7,001,256
Total	191,817,211	163,004,495	186,640,211	156,405,399

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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	
	31/12/2017 RM'000	30/06/2017 RM'000	31/12/2017 RM'000	30/06/2017 RM'000
Aggregate value of outstanding credit exposures with connected parties	2,184,780	1,826,420	2,058,860	1,655,767
Outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.55%	1.30%	1.77%	1.42%
Outstanding credit exposures with connected parties which is non-performing or in default as a proportion of total credit exposures (%)	0.0103%	0.0133%	0.0125%	0.0160%

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A32 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the statements of financial position date.

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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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 Period Ended 31/12/2017			
	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	-	6,083,923	-	6,083,923
- Quoted securities	115,196	-	-	115,196
- Unquoted securities	-	35,591	-	35,591
Financial investments available-for-sale				
- Money market instrument	-	7,477,369	-	7,477,369
- Quoted securities	11,554,768	-	-	11,554,768
- Unquoted securities	-	12,832,553	454,683	13,287,236
Derivative financial instruments	4,806	777,986	15,797	798,589
	<u>11,674,770</u>	<u>27,207,422</u>	<u>470,480</u>	<u>39,352,672</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,564	1,638,405	15,797	1,655,766
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,815,059	-	2,815,059
	<u>1,564</u>	<u>4,453,464</u>	<u>15,797</u>	<u>4,470,825</u>

	The Group			
	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	-	5,113,268	-	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				
- Structured deposits linked to interest rate derivatives	-	2,480,925	-	2,480,925
	<u>1,228</u>	<u>3,876,781</u>	<u>8,568</u>	<u>3,886,577</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 period (2017: RM Nil).

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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 Period Ended 31/12/2017			
	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	-	4,288,358	-	4,288,358
- Quoted securities	115,196	-	-	115,196
- Unquoted securities	-	35,591	-	35,591
Financial investments available-for-sale				
- Money market instrument	-	6,063,938	-	6,063,938
- Quoted securities	11,543,288	-	-	11,543,288
- Unquoted securities	-	11,457,191	454,683	11,911,874
Derivative financial instruments	4,806	786,432	15,797	807,035
	<u>11,663,290</u>	<u>22,631,510</u>	<u>470,480</u>	<u>34,765,280</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,564	1,602,262	15,797	1,619,623
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,910,573	-	1,910,573
	<u>1,564</u>	<u>3,512,835</u>	<u>15,797</u>	<u>3,530,196</u>

	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				
- Structured deposits linked to interest rate derivatives	-	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 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 period (2017: RM Nil).

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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 2018	Financial Assets		Financial
	Financial investments available-for-sale	Derivative financial instruments	Liability Derivative financial instruments
	RM'000	RM'000	RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	1,609	1,609
Net fair value changes recognised in other comprehensive income	(57)	-	-
Purchases	-	5,746	5,746
Settlements	-	(126)	(126)
Disposal	(20)	-	-
At 31 December	<u>454,683</u>	<u>15,797</u>	<u>15,797</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2017	<u>-</u>	<u>1,609</u>	<u>1,609</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2017	<u>(57)</u>	<u>-</u>	<u>-</u>
The Bank 2018	Financial Assets		Financial
	Financial investments available-for-sale	Derivative financial instruments	Liability Derivative financial instruments
	RM'000	RM'000	RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	1,609	1,609
Net fair value changes recognised in other comprehensive income	(57)	-	-
Purchases	-	5,746	5,746
Settlements	-	(126)	(126)
Disposal	(20)	-	-
At 31 December	<u>454,683</u>	<u>15,797</u>	<u>15,797</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2017	<u>-</u>	<u>1,609</u>	<u>1,609</u>
Total gain recognised in other comprehensive income relating to assets held on 31 December 2017	<u>(57)</u>	<u>-</u>	<u>-</u>

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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 RM833.1 million for the current financial quarter ended 31 December 2017, an increase of RM136.5 million or 19.6% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM49.8 million, lower allowance for impairment losses on loans, advances and financing of RM17.9 million and higher share of profit from associated company of RM85.6 million. However, this is mitigated by higher operating expenses of RM15.1 million and lower write back of impairment losses on financial investments of RM1.1 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 RM314.1 million for the second quarter ended 31 December 2017 as compared to previous corresponding quarter of RM313.2 million. The increase in pre-tax profit was mainly contributed by higher total income, partially offset by higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM202.7 million for the second quarter ended 31 December 2017 as compared to previous corresponding quarter of RM208.7 million. The decrease in pre-tax profit was mainly contributed by lower total income and higher total operating expenses, partially offset by lower allowance for impairment losses on loans, advances and financing.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM126.4 million for the second quarter ended 31 December 2017 as compared to previous corresponding quarter of RM130.8 million. The decrease in pre-tax profit was mainly contributed by lower total income, partially offset by lower operating expenses and lower allowance for impairment losses on loans, advances and financing.

International Banking

The International Banking's segment recorded a pre-tax profit of RM155.0 million for the second quarter ended 31 December 2017 as compared to previous corresponding quarter of RM51.8 million. The increase in performance was mainly contributed by higher share of profit from associated company in China, lower operating expenses and higher bad debt recoveries.

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B1 Review of performance (continued)

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

The Group pre-tax profit for the financial period ended 31 December 2017 stood at RM1,613.5 million, an increase of RM242.2 million or 17.7% as compared to RM1,371.2 million in the previous corresponding period. The increase was mainly due to higher net income of RM132.2 million, write back of impairment losses on financial investments of RM2.3 million and higher share of profit from associated company of RM144.1 million. This is mitigated by higher operating expenses of RM31.6 million, higher allowance for impairment losses on loans, advances and financing of RM2.5 million and lower share of profit from joint venture of RM2.3 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 RM596.9 million for the financial period ended 31 December 2017 as compared to previous corresponding period of RM569.3 million. The increase in pre-tax profit was mainly contributed by higher income, partially offset by higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

Personal Financial Services's loan base grew from RM85.5 billion as at 31 December 2016 to RM88.7 billion as at 31 December 2017. Deposit base registered a growth from RM83.8 billion to RM87.0 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM402.8 million for the financial period ended 31 December 2017 as compared to previous corresponding period of RM385.6 million. The increase in pre-tax profit was mainly contributed by higher income and lower allowance for impairment losses on loans, advances and financing, partially offset by higher total operating expenses.

Business and Corporate Banking's loan base decreased from RM30.5 billion as at 31 December 2016 to RM29.3 billion as at 31 December 2017. Deposit base increased from RM32.1 billion to RM34.3 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM232.6 million for the financial period ended 31 December 2017 as compared to previous corresponding period of RM250.1 million. The decrease in pre-tax profit was mainly contributed by lower income, partially offset by lower operating expenses and lower allowance for impairment losses on loans, advances and financing.

Treasury earning assets registered a increase from RM51.0 billion as at 31 December 2016 to RM59.2 billion as at 31 December 2017.

International Banking

The International Banking's segment recorded a pre-tax profit of RM322.9 million for the financial period ended 31 December 2017 as compared to previous corresponding period of RM160.2 million. The increase in performance was mainly contributed by higher share of profit from associated company in China, higher total income and lower allowance for impairment losses on loans, advances and financing from other overseas operations.

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B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM833.1 million as compared to RM780.4 million in the preceding quarter, an increase of RM52.7 million mainly contributed by higher net income of RM49.9 million and lower allowance for impairment losses on loans, advances and financing of RM32.9 million. However, this is partially offsetted by higher operating expenses of RM8.7 million and lower share of profit from associated company of RM22.4 million.

B3 Current year prospects

Continued moderate growth outlook in the world economy is expected to facilitate further expansion of the Malaysian economy in 2018. In addition, a steady labour market and continuous wage growth are expected to boost consumer sentiments whilst providing the backdrop for improving private consumption growth and base for sustained domestic demand. This improving outlook will provide the Bank with the impetus to continue pursuing growth in both our domestic and regional business via our strategic branches by embedding ourselves in the communities that we serve and strengthening our digital banking offerings. In line with our commitment towards delivering sustainable growth and long-term shareholder value, the Bank remains committed towards pursuing operational excellence through strategic cost management whilst channeling some of these savings into investment in digital initiatives to provide a seamless and personalized banking experience to our customers.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	163,048	191,282	306,544	325,345
Transfer to deferred taxation	(13,020)	(44,587)	(15,092)	(46,658)
	<u>150,028</u>	<u>146,695</u>	<u>291,452</u>	<u>278,687</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	139,413	172,796	263,174	323,771
Transfer to deferred taxation	(16,713)	(44,587)	(18,785)	(46,658)
	<u>122,700</u>	<u>128,209</u>	<u>244,389</u>	<u>277,113</u>

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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 period under review.

B7 Purchase and disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period 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.

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 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	28,039,188	195,163	(834,264)
(ii) 1 year to 3 years	219,266	-	(5,948)
Swaps			
(i) Less than 1 year	7,239,780	264,683	(326,782)
(ii) 1 year to 3 years	1,566,188	41,399	(91,291)
(iii) More than 3 years	1,664,032	70,029	(25,840)
Options			
(i) Less than 1 year	2,412,881	14,184	(16,799)
(ii) 1 year to 3 years	584,712	1,867	(1,867)
Interest rate related contracts			
Futures			
(i) Less than 1 year	57,558,409	4,806	(1,564)
Swaps			
(i) Less than 1 year	11,886,422	6,471	(9,633)
(ii) 1 year to 3 years	22,684,775	102,230	(115,030)
(iii) More than 3 years	18,456,434	81,960	(210,951)
Equity related contracts			
(i) Less than 1 year	314,918	5,383	(5,382)
(ii) 1 year to 3 years	269,156	7,788	(7,789)
(iii) More than 3 years	27,464	2,626	(2,626)
Total	152,923,625	798,589	(1,655,766)

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B9 Off-balance sheet financial instruments (continued)

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)

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 December 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	27,252,451	184,510	(823,905)
(ii) 1 year to 3 years	219,266	-	(5,948)
Swaps			
(i) Less than 1 year	7,169,516	264,269	(326,782)
(ii) 1 year to 3 years	1,566,188	41,403	(91,291)
(iii) More than 3 years	1,664,032	70,029	(25,840)
Options			
(i) Less than 1 year	2,412,881	14,184	(16,799)
(ii) 1 year to 3 years	584,712	1,867	(1,867)
Interest rate related contracts			
Futures			
(i) Less than 1 year	57,558,409	4,806	(1,564)
Swaps			
(i) Less than 1 year	11,636,422	6,238	(9,384)
(ii) 1 year to 3 years	23,234,774	101,875	(114,323)
(iii) More than 3 years	19,551,435	102,057	(186,123)
Equity related contracts			
(i) Less than 1 year	314,918	5,383	(5,382)
(ii) 1 year to 3 years	269,156	7,788	(7,789)
(iii) More than 3 years	27,464	2,626	(2,626)
Total	153,461,624	807,035	(1,619,623)

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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)

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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 period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM651,252,000 (FYE June 2017: RM115,444,000) and RM115,291,502,000 (FYE June 2017: RM85,460,579,000) 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 period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM890,839,000 (FYE June 2017: RM1,014,653,000). 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.

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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.

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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

An interim single tier dividend of 16.0 sen per share has been proposed for the current quarter.

- (i) Amount per share: 16.0 sen.
- (ii) Previous corresponding quarter: single tier dividend of 15.0 sen per share.
- (iii) Entitlement date: 14 March 2018
- (iv) Payment date: 28 March 2018

B12 Realised and unrealised profits

	The Group	
	Financial Period Ended 31/12/2017 RM'000	Financial Year Ended 30/06/2017 RM'000
Total retained profits of Hong Leong Bank Berhad and subsidiaries		
- Realised	11,212,831	10,622,103
- Unrealised	796,512	958,758
	12,009,343	11,580,861
Total share of retained profits from associated company		
- Realised	2,632,980	2,359,849
Total share of retained profits from joint venture		
- Realised	81,645	72,150
	14,723,968	14,012,860
Less: Consolidation adjustment	(452,873)	(452,278)
Total Group's retained profits	14,271,095	13,560,582

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.

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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 period, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
<u>The Group</u>				
Net profit attributable to equity holders	683,071	549,935	1,322,039	1,092,562
Weighted average number of ordinary shares in issue ('000)	2,167,718	2,167,718	2,167,718	2,167,718
Less: Treasury shares held	(122,118)	(122,264)	(122,118)	(122,264)
	<u>2,045,600</u>	<u>2,045,454</u>	<u>2,045,600</u>	<u>2,045,454</u>
Basic earnings per share (sen)	33.4	26.9	64.6	53.4
<u>The Bank</u>				
Net profit attributable to equity holders	464,141	447,095	886,574	931,126
Weighted average number of ordinary shares in issue ('000)	2,167,718	2,167,718	2,167,718	2,167,718
Less: Treasury shares held	(122,118)	(122,264)	(122,118)	(122,264)
	<u>2,045,600</u>	<u>2,045,454</u>	<u>2,045,600</u>	<u>2,045,454</u>
Basic earnings per share (sen)	22.7	21.9	43.3	45.5

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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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	683,071	549,935	1,322,039	1,092,562
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,600	2,045,454	2,045,600	2,045,454
- adjustment for ESS	2,815	-	2,815	-
	2,048,415	2,045,454	2,048,415	2,045,454
Fully diluted earnings per share (sen)	33.3	26.9	64.5	53.4
<u>The Bank</u>				
Net profit attributable to equity holders	464,141	447,095	886,574	931,126
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,600	2,045,454	2,045,600	2,045,454
- adjustment for ESS	2,815	-	2,815	-
	2,048,415	2,045,454	2,048,415	2,045,454
Fully diluted earnings per share (sen)	22.7	21.9	43.3	45.5

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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 31 December 2017 based on the remaining contractual maturity:

	The Group							Total
	31 December 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	7,208,668	1,393,234	-	-	-	-	-	8,601,902
Deposits and placements with banks and other financial institutions	-	-	2,658,563	1,748,325	-	-	-	4,406,888
Securities purchased under resale agreements	-	589,664	101,550	-	-	-	-	691,214
Financial assets held-for-trading	401,310	1,499,687	2,857,300	99,092	3,121	1,374,200	-	6,234,710
Financial investments available-for-sale	6,907,128	20,380	326,107	248,525	512,244	23,697,923	607,066	32,319,373
Financial investments held-to-maturity	48	-	156,914	83,973	355,545	12,202,394	-	12,798,874
Loans, advances and financing	10,066,809	6,425,004	5,610,433	2,162,433	678,952	99,437,262	-	124,380,893
Other assets	604,704	4,555	8,727	11,894	7,044	1,442	214,074	852,440
Derivative financial instruments	71,465	78,470	144,831	45,439	150,485	307,899	-	798,589
Statutory deposits with Central Banks	-	-	-	-	-	-	3,783,026	3,783,026
Investment in associated companies	-	-	-	-	-	-	3,672,250	3,672,250
Investment in joint venture	-	-	-	-	-	-	171,928	171,928
Property and equipment	-	-	-	-	-	-	1,429,210	1,429,210
Intangible assets	-	-	-	-	-	-	178,749	178,749
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	899	899
Total assets	25,260,132	10,010,994	11,864,425	4,399,681	1,707,391	137,021,120	11,888,514	202,152,257

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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 31 December 2017 based on the remaining contractual maturity: (continued)

	The Group							Total
	31 December 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	52,868,875	24,479,431	31,729,265	16,630,291	23,299,366	6,325,144	-	155,332,372
Deposits and placements of banks and other financial institutions	2,267,831	1,939,740	3,239,666	109,707	18,259	-	-	7,575,203
Obligations on securities sold under repurchase agreements	1,026,308	1,988,422	2,426,430	-	-	-	-	5,441,160
Bills and acceptances payable	5,321	62,993	29,856	22,799	4	-	232,113	353,086
Other liabilities	4,346,576	-	-	-	221,397	-	83,687	4,651,660
Derivative financial instruments	81,984	171,010	294,646	397,928	248,855	461,343	-	1,655,766
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,971	-	202,971
Tier 2 subordinated bonds	-	-	-	-	-	2,402,564	-	2,402,564
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,126	-	401,126
Innovative Tier 1 capital securities	-	-	-	-	-	513,643	-	513,643
Taxation	-	-	-	-	-	-	284,535	284,535
Deferred tax liabilities	-	-	-	-	-	-	141,088	141,088
Total liabilities	60,596,895	28,641,596	37,719,863	17,160,725	23,787,881	10,306,791	741,423	178,955,174
Total equity	-	-	-	-	-	-	23,197,083	23,197,083
Total liabilities and equity	60,596,895	28,641,596	37,719,863	17,160,725	23,787,881	10,306,791	23,938,506	202,152,257
Net liquidity gap	(35,336,763)	(18,630,602)	(25,855,438)	(12,761,044)	(22,080,490)	126,714,329	11,147,091	23,197,083

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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 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

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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 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

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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 31 December 2017 based on the remaining contractual maturity:

	The Bank							Total RM'000
	31 December 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	
Assets								
Cash and short-term funds	6,741,840	1,610,734	-	-	-	-	-	8,352,574
Deposits and placements with banks and other financial institutions	-	-	2,238,748	1,748,325	-	-	-	3,987,073
Securities purchased under resale agreements	-	589,664	101,550	-	-	-	-	691,214
Financial assets held-for-trading	101,467	1,000,834	1,951,734	99,092	3,121	1,282,897	-	4,439,145
Financial investments available-for-sale	6,907,128	-	326,107	218,346	481,675	20,978,778	607,066	29,519,100
Financial investments held-to-maturity	48	-	156,914	83,973	346,076	9,458,951	-	10,045,962
Loans, advances and financing	8,957,516	5,727,762	5,271,832	1,951,643	550,737	79,901,362	-	102,360,852
Other assets	639,282	4,507	8,630	11,759	6,928	1,124	106,336	778,566
Derivative financial instruments	70,789	77,798	138,257	42,061	150,485	327,645	-	807,035
Amount due from subsidiaries	-	-	-	-	-	-	89,035	89,035
Statutory deposits with Central Banks	-	-	-	-	-	-	3,007,895	3,007,895
Subsidiary companies	-	-	-	-	-	-	2,140,913	2,140,913
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	784,234	784,234
Intangible assets	-	-	-	-	-	-	161,322	161,322
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Total assets	23,418,070	9,011,299	10,193,772	4,155,199	1,539,022	111,950,757	9,691,584	169,959,703

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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 31 December 2017 based on the remaining contractual maturity: (continued)

	The Bank							Total
	31 December 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	44,899,732	21,202,359	25,626,743	13,596,696	19,184,750	5,021,244	-	129,531,524
Deposits and placements of banks and other financial institutions	2,259,622	1,634,918	3,232,755	47,109	18,259	-	-	7,192,663
Obligations on securities sold under repurchase agreements	1,026,308	1,942,215	2,426,430	-	-	-	-	5,394,953
Bills and acceptances payable	5,309	62,771	28,481	19,768	4	-	207,997	324,330
Other liabilities	3,486,146	-	-	-	219,224	-	47,839	3,753,209
Derivative financial instruments	81,485	171,009	286,322	396,145	248,855	435,807	-	1,619,623
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,971	-	202,971
Tier 2 subordinated bonds	-	-	-	-	-	2,001,912	-	2,001,912
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,126	-	401,126
Innovative Tier 1 capital securities	-	-	-	-	-	513,643	-	513,643
Taxation	-	-	-	-	-	-	240,193	240,193
Deferred tax liabilities	-	-	-	-	-	-	141,478	141,478
Total liabilities	51,758,602	25,013,272	31,600,731	14,059,718	19,671,092	8,576,703	637,507	151,317,625
Total equity	-	-	-	-	-	-	18,642,078	18,642,078
Total liabilities and equity	51,758,602	25,013,272	31,600,731	14,059,718	19,671,092	8,576,703	19,279,585	169,959,703
Net liquidity gap	(28,340,532)	(16,001,973)	(21,406,959)	(9,904,519)	(18,132,070)	103,374,054	9,054,077	18,642,078

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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 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
	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