

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 30 June 2018

		The Group		The Bank	
	Note	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
<u>ASSETS</u>					
Cash and short-term funds		6,472,405	10,823,310	5,550,388	10,199,194
Deposits and placements with banks and other financial institutions		2,796,480	826,743	2,705,522	393,664
Securities purchased under resale agreements		-	300,880	-	300,880
Financial assets held-for-trading	A8	5,969,872	5,688,165	5,619,035	5,405,310
Financial investments available-for-sale	A9	31,862,936	27,654,217	29,018,580	24,886,280
Financial investments held-to-maturity	A10	14,436,945	13,060,604	10,906,565	10,408,793
Loans, advances and financing	A11	128,059,105	123,990,941	104,274,903	102,538,550
Other assets	A12	780,069	1,407,731	686,696	1,309,339
Derivative financial instruments		918,067	953,042	932,926	947,583
Amount due from subsidiaries		-	-	43,563	13,484
Statutory deposits with Central Banks		4,312,482	3,738,230	3,453,017	2,986,547
Subsidiary companies		-	-	2,157,132	1,662,409
Investment in associated company		3,651,091	3,466,891	946,525	946,525
Investment in joint venture	A13	179,426	169,185	76,711	76,711
Property and equipment		1,414,975	1,423,097	782,853	774,999
Intangible assets		152,541	213,323	137,166	194,870
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		53,067	4,851	47,908	-
TOTAL ASSETS		202,890,773	195,552,522	169,111,037	164,816,685
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A14	157,414,095	155,233,205	129,583,425	129,859,403
Deposits and placements of banks and other financial institutions	A15	7,237,434	5,486,692	7,245,854	5,460,076
Obligations on securities sold under repurchase agreements		3,831,869	2,829,617	3,805,119	2,801,366
Bills and acceptances payable		544,451	364,675	506,971	348,841
Other liabilities	A16	4,719,446	4,052,667	3,932,169	3,475,689
Derivative financial instruments		1,020,196	1,405,652	983,680	1,363,654
Recourse obligation on loans sold to Cagamas Berhad		202,952	202,926	202,952	202,926
Tier 2 subordinated bonds	A17	2,902,908	2,402,145	2,502,278	2,001,642
Multi-currency Additional Tier 1 capital securities	A18	401,192	-	401,192	-
Innovative Tier 1 capital securities	A19	512,352	515,623	512,352	515,623
Provision for taxation		211,619	201,713	171,958	173,953
Deferred tax liabilities		-	172,194	-	171,131
TOTAL LIABILITIES		178,998,514	172,867,109	149,847,950	146,374,304
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		16,885,463	15,680,311	12,256,291	11,437,279
Less: Treasury shares		(732,267)	(733,961)	(732,267)	(733,961)
TOTAL SHAREHOLDERS' EQUITY		23,892,259	22,685,413	19,263,087	18,442,381
TOTAL LIABILITIES AND EQUITY		202,890,773	195,552,522	169,111,037	164,816,685
<u>COMMITMENTS AND CONTINGENCIES</u>	A30	167,840,081	163,004,495	162,664,431	156,405,399
Net asset per share attributable to ordinary equity holders of the parent (RM) *		11.68	11.09	9.42	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 Year Ended 30 June 2018

	Note	The Group			
		Current Quarter Ended 30/06/2018 RM'000	Corresponding Quarter Ended 30/06/2017 RM'000	Current Year Ended 30/06/2018 RM'000	Corresponding Year Ended 30/06/2017 RM'000
Interest income	A20	1,612,332	1,542,190	6,357,559	6,163,134
Interest expense	A21	(921,925)	(813,179)	(3,464,439)	(3,308,727)
Net interest income		690,407	729,011	2,893,120	2,854,407
Net income from Islamic Banking business	A22	162,741	142,801	646,064	550,099
Other operating income	A23	323,166	280,106	1,300,381	1,146,143
Net income		1,176,314	1,151,918	4,839,565	4,550,649
Other operating expenses	A24	(510,826)	(515,273)	(2,060,449)	(2,007,523)
Operating profit before allowances		665,488	636,645	2,779,116	2,543,126
Allowance for impairment losses on loans, advances and financing	A25	(9,803)	(63,671)	(76,651)	(161,159)
Write back of impairment losses on financial investments		4,632	1,393	7,131	2,222
Share of profit after tax of equity accounted associated company		660,317	574,367	2,709,596	2,384,189
Share of profit after tax of equity accounted joint venture		111,680	101,100	516,111	342,910
Share of profit after tax of equity accounted joint venture		5,641	4,492	20,548	21,153
Profit before taxation		777,638	679,959	3,246,255	2,748,252
Taxation	B5	(151,630)	(197,042)	(608,177)	(603,236)
Net profit for the financial year		626,008	482,917	2,638,078	2,145,016
Attributable to:					
Owners of the parent		626,008	482,917	2,638,078	2,145,016
Earnings per share - basic (sen)	B12(a)	30.6	23.6	129.0	104.9
Earnings per share - fully diluted (sen)	B12(b)	30.6	23.6	128.7	104.8

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 Year Ended 30 June 2018

	The Group			
	Current Quarter Ended 30/06/2018 RM'000	Corresponding Quarter Ended 30/06/2017 RM'000	Current Year Ended 30/06/2018 RM'000	Corresponding Year Ended 30/06/2017 RM'000
Net profit for the financial year	626,008	482,917	2,638,078	2,145,016
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of associated company	(1,347)	(7,556)	(822)	(14,501)
Currency translation differences	(41,954)	(88,204)	(325,017)	226,877
Net fair value changes on financial investments available-for-sale	(179,396)	259,910	(348,012)	50,990
Net fair value changes in cash flow hedge	993	(435)	2,398	856
Income tax relating to components of other comprehensive loss/(income)	135,462	(61,800)	170,034	(12,585)
Other comprehensive (loss)/income for the financial year, net of tax	(86,242)	101,915	(501,419)	251,637
Total comprehensive income for the financial year	<u>539,766</u>	<u>584,832</u>	<u>2,136,659</u>	<u>2,396,653</u>
Attributable to:				
- Owners of the parent	<u>539,766</u>	<u>584,832</u>	<u>2,136,659</u>	<u>2,396,653</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
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Condensed Financial Statements
Unaudited Statements of Income
For The Financial Year Ended 30 June 2018

	Note	The Bank			
		Current Quarter Ended 30/06/2018 RM'000	Corresponding Quarter Ended 30/06/2017 RM'000	Current Year Ended 30/06/2018 RM'000	Corresponding Year Ended 30/06/2017 RM'000
Interest income	A20	1,591,663	1,516,870	6,269,327	6,072,889
Interest expense	A21	(915,160)	(802,951)	(3,428,214)	(3,271,875)
Net interest income		676,503	713,919	2,841,113	2,801,014
Other operating income	A23	484,556	404,848	1,499,585	1,390,282
Net income		1,161,059	1,118,767	4,340,698	4,191,296
Other operating expenses	A24	(440,726)	(443,904)	(1,797,248)	(1,736,002)
Operating profit before allowances		720,333	674,863	2,543,450	2,455,294
Write back of/(allowance for) impairment losses on loans, advances and financing	A25	2,805	(38,048)	(32,649)	(109,273)
Write back of impairment losses on financial investments		4,632	1,393	7,131	1,106
Profit before taxation		727,770	638,208	2,517,932	2,347,127
Taxation	B5	(160,180)	(217,805)	(545,521)	(603,076)
Net profit for the financial year		567,590	420,403	1,972,411	1,744,051
Attributable to:					
Owners of the parent		567,590	420,403	1,972,411	1,744,051
Earnings per share - basic (sen)	B12(a)	27.7	20.6	96.4	85.3
Earnings per share - fully diluted (sen)	B12(b)	27.7	20.5	96.3	85.2

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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(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Year Ended 30 June 2018

	The Bank			
	Current Quarter Ended 30/06/2018 RM'000	Corresponding Quarter Ended 30/06/2017 RM'000	Current Year Ended 30/06/2018 RM'000	Corresponding Year Ended 30/06/2017 RM'000
Net profit for the financial year	567,590	420,403	1,972,411	1,744,051
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	14,178	(20,248)	(57,408)	44,456
Net fair value changes on financial investments available-for-sale	(164,553)	249,143	(333,392)	67,005
Net fair value changes in cash flow hedge	993	(435)	2,398	856
Income tax relating to components of other comprehensive loss/(income)	131,975	(59,318)	166,510	(16,333)
Other comprehensive (loss)/income for the financial year, net of tax	(17,407)	169,142	(221,892)	95,984
Total comprehensive income for the financial year	550,183	589,545	1,750,519	1,840,035

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 Year Ended 30 June 2018

Attributable to owners of the parent

The Group	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Regulatory Reserves ** RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2017	7,739,063	-	-	678,483	1,441,246	13,560,582	(733,961)	22,685,413
<u>Comprehensive income</u>								
Net profit for the financial year	-	-	-	-	-	2,638,078	-	2,638,078
- Share of other comprehensive income of associated company	-	-	-	-	(822)	-	-	(822)
- Net fair value changes in financial investments available-for-sale	-	-	-	-	(177,480)	-	-	(177,480)
- Net fair value changes in cash flow hedge	-	-	-	-	1,900	-	-	1,900
- Currency translation differences	-	-	-	-	(325,017)	-	-	(325,017)
Total comprehensive (loss)/income	-	-	-	-	(501,419)	2,638,078	-	2,136,659
<u>Transactions with owners</u>								
Transfer to regulatory reserve	-	-	-	74,456	-	(74,456)	-	-
Dividends paid	-	-	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	-	-	-	(3,036)	1,342	1,694	-
Option charge arising from ESS granted	-	-	-	-	11,200	-	-	11,200
Total transactions with owners	-	-	-	74,456	8,164	(1,014,127)	1,694	(929,813)
At 30 June 2018	7,739,063	-	-	752,939	947,991	15,184,533	(732,267)	23,892,259
At 1 July 2016	2,167,718	5,571,345	3,920,716	598,772	1,181,271	8,412,365	(735,040)	21,117,147
<u>Comprehensive income</u>								
Net profit for the financial year	-	-	-	-	-	2,145,016	-	2,145,016
- Share of other comprehensive loss of associated company	-	-	-	-	(14,501)	-	-	(14,501)
- Net fair value changes in financial investments available-for-sale	-	-	-	-	38,611	-	-	38,611
- Net fair value changes in cash flow hedge	-	-	-	-	650	-	-	650
- Currency translation differences	-	-	-	-	226,877	-	-	226,877
Total comprehensive income	-	-	-	-	251,637	2,145,016	-	2,396,653
<u>Transactions with owners</u>								
Transfer to retained profits	-	-	(3,920,716)	-	-	3,920,716	-	-
Transfer to regulatory reserve	-	-	-	79,711	-	(79,711)	-	-
Dividends paid	-	-	-	-	-	(838,658)	-	(838,658)
Transition to no par value regime under the Companies Act 2016 *	5,571,345	(5,571,345)	-	-	-	-	-	-
ESS exercised	-	-	-	-	(1,933)	854	1,079	-
Option charge arising from ESS granted	-	-	-	-	10,271	-	-	10,271
Total transactions with owners	5,571,345	(5,571,345)	(3,920,716)	79,711	8,338	3,003,201	1,079	(828,387)
At 30 June 2017	7,739,063	-	-	678,483	1,441,246	13,560,582	(733,961)	22,685,413

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

** Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM741,694,000 (30 June 2017: RM667,238,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2017: RM11,245,000)

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

Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Year Ended 30 June 2018

Attributable to owners of the parent

<u>The Bank</u>	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2017	7,739,063	-	-	571,678	620,396	10,245,205	(733,961)	18,442,381
<u>Comprehensive income</u>								
Net profit for the financial year	-	-	-	-	-	1,972,411	-	1,972,411
- Net fair value changes in financial investments available-for-sale	-	-	-	-	(166,384)	-	-	(166,384)
- Net fair value changes in cash flow hedge	-	-	-	-	1,900	-	-	1,900
- Currency translation differences	-	-	-	-	(57,408)	-	-	(57,408)
Total comprehensive (loss)/income	-	-	-	-	(221,892)	1,972,411	-	1,750,519
<u>Transactions with owners</u>								
Transfer to regulatory reserve	-	-	-	65,420	-	(65,420)	-	-
Dividends paid	-	-	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	-	-	-	(3,036)	1,342	1,694	-
Option charge arising from ESS granted	-	-	-	-	11,200	-	-	11,200
Total transactions with owners	-	-	-	65,420	8,164	(1,005,091)	1,694	(929,813)
At 30 June 2018	7,739,063	-	-	637,098	406,668	11,212,525	(732,267)	19,263,087
At 1 July 2016	2,167,718	5,571,345	3,380,604	495,008	516,074	6,035,024	(735,040)	17,430,733
<u>Comprehensive income</u>								
Net profit for the financial year	-	-	-	-	-	1,744,051	-	1,744,051
- Net fair value changes in financial investments available-for-sale	-	-	-	-	50,878	-	-	50,878
- Net fair value changes in cash flow hedge	-	-	-	-	650	-	-	650
- Currency translation differences	-	-	-	-	44,456	-	-	44,456
Total comprehensive income	-	-	-	-	95,984	1,744,051	-	1,840,035
<u>Transactions with owners</u>								
Transfer to retained profits	-	-	(3,380,604)	-	-	3,380,604	-	-
Transfer to regulatory reserve	-	-	-	76,670	-	(76,670)	-	-
Dividends paid	-	-	-	-	-	(838,658)	-	(838,658)
Transition to no-par value regime under the Companies Act 2016 *	5,571,345	(5,571,345)	-	-	-	-	-	-
ESS exercised	-	-	-	-	(1,933)	854	1,079	-
Option charge arising from ESS granted	-	-	-	-	10,271	-	-	10,271
Total transactions with owners	5,571,345	(5,571,345)	(3,380,604)	76,670	8,338	2,466,130	1,079	(828,387)
At 30 June 2017	7,739,063	-	-	571,678	620,396	10,245,205	(733,961)	18,442,381

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

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Year Ended 30 June 2018

	The Group		The Bank	
	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2017 RM'000
Profit before taxation	3,246,255	2,748,252	2,517,932	2,347,127
Adjustments for non-cash items	(1,570,875)	(899,998)	(1,363,547)	(873,048)
Operating profit before working capital changes	1,675,380	1,848,254	1,154,385	1,474,079
Changes in working capital:				
Net changes in operating assets	(8,357,841)	(931,247)	(5,677,132)	1,564,145
Net changes in operating liabilities	5,573,998	5,468,051	2,871,757	2,430,776
Income taxes and zakat paid	(660,026)	(391,020)	(571,611)	(322,256)
Net cash (used in)/generated from operating activities	<u>(1,768,489)</u>	<u>5,994,038</u>	<u>(2,222,601)</u>	<u>5,146,744</u>
Cash flows from investing activities				
Net purchases of financial investments available-for-sale	(3,617,252)	(1,018,024)	(3,530,034)	(267,494)
Net purchases of financial investments held-to-maturity	(994,134)	(934,109)	(120,309)	(50,633)
Purchase of property and equipment	(124,689)	(158,127)	(119,942)	(147,335)
Net proceeds from sale of property and equipment	5,729	3,901	5,569	3,523
Net proceeds on sale of intangible assets	1	-	1	-
Purchase of intangible assets	(11,337)	(19,530)	(9,681)	(18,613)
Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(389,824)	-
Investment in subordinated facilities	-	-	(66)	-
Investment in subsidiary company	-	-	(92,857)	(132,649)
Dividends received from:				
- Subsidiary companies	-	-	43,400	-
- Associated company	101,111	181,953	101,111	181,953
- Joint venture	3,563	3,428	3,563	3,428
- Financial investments available-for-sale	281,087	259,157	281,087	259,157
Net cash used in investing activities	<u>(4,355,921)</u>	<u>(1,681,351)</u>	<u>(3,827,982)</u>	<u>(168,663)</u>
Cash flows from financing activities				
Dividends paid	(941,013)	(838,658)	(941,013)	(838,658)
Repayment of USD 300.0 million senior bonds	-	(1,323,150)	-	(1,323,150)
Proceeds from debt issuance				
- Tier 2 subordinated bonds	500,000	-	500,000	-
- Multi-currency Additional Tier 1 capital securities	400,000	-	400,000	-
- Recourse obligation on loans sold to Cagamas	-	200,050	-	200,050
Interest paid:				
- Senior bonds and subordinated obligations	(91,947)	(133,363)	(92,000)	(133,258)
- Multi-currency Additional Tier 1 capital securities	(10,984)	-	(10,252)	-
- Innovative Tier 1 capital securities	(38,431)	(35,362)	(38,431)	(35,362)
- Recourse obligation on loans sold to Cagamas	(7,576)	(3,851)	(7,576)	(3,851)
Drawdown of borrowings	-	(388,589)	-	-
Net cash used in financing activities	<u>(189,951)</u>	<u>(2,522,923)</u>	<u>(189,272)</u>	<u>(2,134,229)</u>
Net (decrease)/increase in cash and cash equivalents	(6,314,361)	1,789,764	(6,239,855)	2,843,852
Currency translation differences	(111,203)	74,543	(55,801)	43,650
Cash and cash equivalents at the beginning of financial year	10,388,873	8,524,566	9,578,350	6,690,848
Cash and cash equivalents at the end of financial year	<u>3,963,309</u>	<u>10,388,873</u>	<u>3,282,694</u>	<u>9,578,350</u>

HONG LEONG BANK BERHAD
(97141-X)
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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Year Ended 30 June 2018

	The Group		The Bank	
	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2017 RM'000
Cash and short-term funds	6,472,405	10,823,310	5,550,388	10,199,194
Deposits and placements with banks and other financial institutions	2,796,480	826,743	2,705,522	393,664
	<u>9,268,885</u>	<u>11,650,053</u>	<u>8,255,910</u>	<u>10,592,858</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	(5,305,576)	(1,261,180)	(4,973,216)	(1,014,508)
	<u>3,963,309</u>	<u>10,388,873</u>	<u>3,282,694</u>	<u>9,578,350</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 YEAR ENDED 30 JUNE 2018**

A1 Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 2018 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'
Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

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

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

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

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A5 Variation from financial estimates reported in preceding financial year

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

A6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy-back and share cancellations, or resale of shares held as treasury shares during the financial year ended 30 June 2018:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 30 June 2018 amounted to 81,101,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

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

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

During the financial year ended 30 June 2018, the trust did not purchase any new shares. As at 30 June 2018, the total number of Treasury Shares for ESS was 40,786,550 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 year ended 30 June 2018, a total of 9,979,197 share options lapsed arising from the resignation of some option holders and a total of 229,992 ordinary shares were vested and transferred 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") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, Hong Leong Financial Group Berhad. The capital securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The capital securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe the RM400.0 million Additional Tier 1 perpetual subordinated sukuk wakalah issued by Hong Leong Islamic Bank Berhad ("HLISB"), a wholly-owned subsidiary of the Bank.

d) Issuance of Tier 2 subordinated notes

On 25 June 2018, the Bank issued a second tranche of RM500.0 million nominal value of 10-year non-callable 5 years Tier 2 Subordinated Notes ("Sub Notes") callable on 26 June 2023 (and thereafter) and due on 23 June 2028 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.86% per annum, which is payable semi-annually in arrears from the date of the issue.

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.

An interim single tier dividend of 16.0 sen per share in respect of financial year ended 30 June 2018 amounting to RM327.3 million was paid on 28 March 2018.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</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	2,441,976	433,166	2,441,976	433,166
Malaysian Government investment certificates	786,622	684,572	635,595	511,679
Negotiable instruments of deposit	2,554,359	3,946,521	2,354,549	4,027,953
Cagamas bonds	-	1,013	-	1,013
Other Government securities	-	47,996	-	47,996
	<u>5,782,957</u>	<u>5,113,268</u>	<u>5,432,120</u>	<u>5,021,807</u>
Quoted securities:				
Foreign currency bonds in Malaysia	40,093	195,592	40,093	195,592
Foreign currency bonds outside Malaysia	68,847	62,860	68,847	62,860
Unquoted securities:				
Malaysian Government sukuk	-	191,394	-	-
Corporate bonds and sukuk	45,605	96,525	45,605	96,525
Foreign currency bonds outside Malaysia	32,370	28,526	32,370	28,526
Total financial assets held-for-trading	<u><u>5,969,872</u></u>	<u><u>5,688,165</u></u>	<u><u>5,619,035</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>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</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	109,684	130,659	109,684	130,659
Malaysian Government investment certificates	4,339,789	4,385,118	3,135,157	3,086,177
Other Government securities	657,700	329,592	592,486	239,189
Cagamas bonds	1,430,259	1,388,060	1,263,793	1,247,119
Khazanah bonds	673,444	406,904	638,603	406,904
	<u>7,210,876</u>	<u>6,640,333</u>	<u>5,739,723</u>	<u>5,110,048</u>
Quoted securities:				
Shares outside Malaysia	-	27	-	27
Wholesale fund/unit trust	7,100,400	5,203,264	7,100,400	5,203,264
Foreign currency bonds in Malaysia	2,996,117	3,056,104	2,984,839	3,043,838
Foreign currency bonds outside Malaysia	1,660,272	1,818,131	1,660,272	1,818,131
Unquoted securities:				
Malaysian Government sukuk	2,385,470	2,040,793	2,024,205	1,849,179
Corporate bonds and sukuk	8,335,213	7,508,144	7,334,553	6,474,372
Shares in Malaysia	467,512	454,740	467,512	454,740
Shares outside Malaysia	-	149,361	-	149,361
Foreign currency bonds in Malaysia	1,048,287	294,300	1,048,287	294,300
Foreign currency bonds outside Malaysia	658,789	489,020	658,789	489,020
Total financial investments available-for-sale	<u><u>31,862,936</u></u>	<u><u>27,654,217</u></u>	<u><u>29,018,580</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>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Money market instruments:				
Government treasury bills	52,950	57,367	52,950	57,367
Malaysian Government securities	1,357,392	2,553,716	1,357,392	2,553,716
Malaysian Government investment certificates	10,914,275	8,964,061	8,083,221	6,661,173
Other Government securities	383,739	484,230	297,037	390,232
	<u>12,708,356</u>	<u>12,059,374</u>	<u>9,790,600</u>	<u>9,662,488</u>
Unquoted securities:				
Loan stocks	-	48	-	48
Malaysian Government sukuk	1,548,339	814,591	935,715	559,666
Corporate bonds and sukuk	61,435	486	61,435	486
Redeemable preference shares	30,866	32,066	30,866	32,066
Foreign currency bonds outside Malaysia	87,949	154,039	87,949	154,039
	<u>1,728,589</u>	<u>1,001,230</u>	<u>1,115,965</u>	<u>746,305</u>
Total financial investments held-to-maturity	<u>14,436,945</u>	<u>13,060,604</u>	<u>10,906,565</u>	<u>10,408,793</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/6/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Overdrafts	3,794,584	3,776,243	3,251,673	3,346,825
Term loans/financing:				
- Housing and shop loans/financing	70,332,643	65,998,057	56,771,907	54,037,251
- Syndicated/term loans or financing	9,953,665	9,225,253	7,902,161	7,773,693
- Hire purchase receivables	17,229,742	18,159,364	13,757,021	14,588,595
- Other term loans/financing	7,472,341	7,898,856	5,272,900	5,739,809
Credit/charge card receivables	3,899,183	3,997,701	3,899,183	3,997,701
Bills receivable	996,560	1,081,635	880,816	1,000,654
Trust receipts	328,628	314,042	283,561	265,020
Claims on customers under acceptance credits	7,839,208	7,451,325	7,301,016	6,967,783
Revolving credit	6,627,619	6,611,688	5,169,171	5,171,465
Staff loans/financing	146,027	146,672	141,341	141,834
Other loans/financing	448,360	485,668	448,356	485,664
Gross loans, advances and financing	<u>129,068,560</u>	<u>125,146,504</u>	<u>105,079,106</u>	<u>103,516,294</u>
Fair value changes arising from fair value hedges	(2,540)	(34)	(2,540)	(34)
Unamortised fair value changes arising from terminated fair value hedges	(13)	(36)	-	-
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(804,726)	(830,067)	(621,694)	(666,787)
- Individual assessment allowance	(202,176)	(325,426)	(179,969)	(310,923)
Total net loans, advances and financing	<u><u>128,059,105</u></u>	<u><u>123,990,941</u></u>	<u><u>104,274,903</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 RM177,874,000 (2017: RM184,571,000) and RM177,874,000 (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>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Domestic non-bank financial institutions	597,185	651,907	248,848	226,859
Domestic business enterprises:				
- small and medium enterprises	20,480,084	20,377,235	17,433,561	17,888,565
- others	16,377,193	15,370,541	13,226,492	12,440,268
Government and statutory bodies	19,374	29,072	7,803	17,492
Individuals	84,422,878	81,370,008	67,261,406	65,852,784
Other domestic entities	269,937	79,052	207,752	21,655
Foreign entities	6,901,909	7,268,689	6,693,244	7,068,671
Gross loans, advances and financing	<u>129,068,560</u>	<u>125,146,504</u>	<u>105,079,106</u>	<u>103,516,294</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Fixed rate:				
- Housing and shop loans/financing	2,583,078	4,753,906	1,769,012	3,371,016
- Hire purchase receivables	16,916,260	17,747,828	13,444,246	14,177,059
- Other fixed rate loans/financing	6,676,788	6,928,471	5,280,238	5,818,422
Variable rate:				
- Base rate/base lending rate plus	86,079,824	78,636,505	71,114,897	66,091,018
- Cost plus	16,407,547	16,681,983	13,470,713	14,058,779
- Other variables rates	405,063	397,811	-	-
Gross loans, advances and financing	<u>129,068,560</u>	<u>125,146,504</u>	<u>105,079,106</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>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Purchase of securities	382,505	490,252	381,331	486,882
Purchase of transport vehicles	16,893,592	17,583,583	13,370,936	13,949,451
Purchase of landed properties				
- residential	61,370,372	56,860,638	48,915,309	46,001,510
- non-residential	15,553,253	15,774,407	13,925,835	14,427,100
Purchase of fixed assets (excluding landed properties)	546,924	379,050	482,511	326,595
Personal use	3,248,454	3,563,125	2,170,175	2,611,693
Credit card	3,899,183	3,997,701	3,899,183	3,997,701
Construction	1,552,918	1,238,539	1,024,050	894,464
Mergers and acquisition	362,600	201,182	179,269	201,182
Working capital	23,850,860	23,190,404	19,761,563	19,087,337
Other purpose	1,407,899	1,867,623	968,944	1,532,379
Gross loans, advances and financing	<u>129,068,560</u>	<u>125,146,504</u>	<u>105,079,106</u>	<u>103,516,294</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Malaysia	122,542,932	118,561,256	99,981,335	98,137,161
Singapore	5,097,771	5,379,133	5,097,771	5,379,133
Vietnam	405,063	397,813	-	-
Cambodia	1,022,794	808,302	-	-
Gross loans, advances and financing	<u>129,068,560</u>	<u>125,146,504</u>	<u>105,079,106</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>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</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	26,653,901	26,570,075	23,793,306	23,576,443
One year to less than three years	6,007,978	5,481,213	4,929,344	4,617,290
Three years to less than five years	9,069,429	10,265,641	6,997,601	8,396,767
Five years and more	87,337,252	82,829,575	69,358,855	66,925,794
Gross loans, advances and financing	<u>129,068,560</u>	<u>125,146,504</u>	<u>105,079,106</u>	<u>103,516,294</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</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	1,256	2,196	1,256	2,196
Purchase of transport vehicles	134,022	142,643	101,223	108,758
Purchase of landed properties				
- residential	352,900	306,758	253,976	225,075
- non-residential	170,961	133,296	165,421	131,408
Purchase of fixed assets (excluding landed properties)	3,465	3,332	3,465	2,101
Personal use	46,682	44,066	29,519	34,086
Credit card	39,562	48,005	39,562	48,005
Construction	3,530	7,209	2,963	5,399
Working capital	369,990	499,734	306,284	444,903
Other purpose	3,134	16,201	2,564	16,051
Gross impaired loans, advances and financing	<u>1,125,502</u>	<u>1,203,440</u>	<u>906,233</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>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Malaysia	1,112,810	1,197,355	904,839	1,017,511
Singapore	1,394	471	1,394	471
Vietnam	3,937	5,098	-	-
Cambodia	7,361	516	-	-
Gross impaired loans, advances and financing	<u>1,125,502</u>	<u>1,203,440</u>	<u>906,233</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>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</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	1,663,447	1,813,591	1,278,452	1,466,120
Reclassified as non-impaired during the financial year	(889,043)	(821,519)	(652,719)	(639,505)
Amount written back in respect of recoveries	(387,313)	(336,403)	(329,643)	(285,379)
Amount written off	(460,834)	(407,656)	(404,026)	(358,292)
Exchange difference	(4,195)	(1,152)	(3,813)	(1,530)
At 30 June	<u>1,125,502</u>	<u>1,203,440</u>	<u>906,233</u>	<u>1,017,982</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.9%</u>	<u>1.0%</u>	<u>0.9%</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>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</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 year	299,887	283,057	224,340	217,958
Amount transferred to individual assessment	-	(729)	-	(744)
Amount written off	(310,061)	(298,120)	(257,615)	(256,059)
Unwinding income	(14,475)	(10,732)	(11,488)	(8,911)
Exchange difference	(692)	534	(330)	271
At 30 June	<u>804,726</u>	<u>830,067</u>	<u>621,694</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 year	63,397	162,669	50,952	149,891
Amount transferred from collective assessment	-	729	-	744
Amount written back in respect of recoveries	(55,505)	(46,433)	(52,077)	(42,003)
Amount written off	(119,266)	(72,260)	(118,014)	(68,890)
Unwinding income	(7,959)	(8,741)	(7,951)	(8,712)
Exchange difference	(3,917)	(282)	(3,864)	(323)
At 30 June	<u>202,176</u>	<u>325,426</u>	<u>179,969</u>	<u>310,923</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Foreclosed properties	46	46	46	46
Sundry debtors and other prepayments	204,716	154,350	162,716	144,081
Treasury related receivables	65,547	457,935	65,547	393,525
Cash collateral pledged for derivative transactions	310,933	653,625	310,933	653,625
Other receivables	198,827	141,775	147,454	118,062
	<u>780,069</u>	<u>1,407,731</u>	<u>686,696</u>	<u>1,309,339</u>

A13 Investment in joint venture

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 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	26,342	20,882	-	-
Exchange fluctuation reserve	6,674	8,842	-	-
	<u>57,673</u>	<u>54,381</u>	<u>24,657</u>	<u>24,657</u>
Equity interest held for sale	121,753	114,804	52,054	52,054
	<u>179,426</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 Bank would continue to equity account the retained interest of 12% as the Bank is still deemed to have significant influence in JV Co.

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 RM121,753,000 for the financial year ended 30 June 2018 (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>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Amortised cost				
Fixed deposits	88,222,375	87,976,350	71,745,421	71,583,689
Negotiable instruments of deposits	6,892,073	5,713,184	5,394,717	4,913,965
Short-term placements	16,950,886	19,281,420	14,687,624	17,987,726
	<u>112,065,334</u>	<u>112,970,954</u>	<u>91,827,762</u>	<u>94,485,380</u>
Demand deposits	23,638,473	21,232,553	20,232,702	18,142,847
Saving deposits	17,563,850	17,531,603	14,657,220	14,701,048
Others	979,288	1,017,170	847,170	901,445
	<u>154,246,945</u>	<u>152,752,280</u>	<u>127,564,854</u>	<u>128,230,720</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	3,334,428	2,597,863	2,132,691	1,708,752
Fair value changes arising from designation at fair value through profit or loss *	(167,278)	(116,938)	(114,120)	(80,069)
	<u>3,167,150</u>	<u>2,480,925</u>	<u>2,018,571</u>	<u>1,628,683</u>
	<u>157,414,095</u>	<u>155,233,205</u>	<u>129,583,425</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>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Government and statutory bodies	3,977,104	2,939,005	2,016,899	1,872,815
Business enterprises	62,744,665	63,339,512	48,300,831	49,509,606
Individuals	88,159,470	86,175,897	77,108,346	76,006,815
Others	2,532,856	2,778,791	2,157,349	2,470,167
	<u>157,414,095</u>	<u>155,233,205</u>	<u>129,583,425</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>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Due within six months	83,581,278	93,770,712	67,728,986	78,802,850
More than six months to one year	26,159,087	17,376,145	21,998,104	13,904,358
More than one year to five years	2,324,969	1,824,097	2,100,672	1,778,172
	<u>112,065,334</u>	<u>112,970,954</u>	<u>91,827,762</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>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Licensed banks	7,084,745	5,484,605	7,095,827	5,460,076
Licensed investment banks	150,027	-	150,027	-
Other financial institutions	2,662	2,087	-	-
	<u>7,237,434</u>	<u>5,486,692</u>	<u>7,245,854</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>7,237,434</u>	<u>5,486,692</u>	<u>7,245,854</u>	<u>5,460,076</u>

A16 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Zakat	350	350	-	-
Post employment benefits obligation - defined contribution plan	297	294	297	294
Loan advance payment	3,229,766	2,987,067	2,586,339	2,415,873
Amount due to subsidiary companies	-	-	-	57,820
Treasury and cheque clearing	50,106	129,556	50,106	129,556
Treasury related payables	231,223	235,295	231,223	235,295
Sundry creditors and accruals	531,979	310,745	494,991	283,492
Provision for bonus and staff related expenses	176,617	157,091	168,984	150,118
Others	499,108	232,269	400,229	203,241
	<u>4,719,446</u>	<u>4,052,667</u>	<u>3,932,169</u>	<u>3,475,689</u>

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A17 Tier 2 subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		1,664	1,664	1,664	1,664
		<u>1,501,664</u>	<u>1,501,664</u>	<u>1,501,664</u>	<u>1,501,664</u>
Less: Unamortised discounts		(91)	(277)	(91)	(277)
		<u>1,501,573</u>	<u>1,501,387</u>	<u>1,501,573</u>	<u>1,501,387</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	400,000	400,000	-	-
Add: Profit payable		684	631	-	-
		<u>400,684</u>	<u>400,631</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(54)	(128)	-	-
		<u>400,630</u>	<u>400,503</u>	<u>-</u>	<u>-</u>
RM1.0 billion Tier 2 subordinated notes, at par	(c)	1,000,000	500,000	1,000,000	500,000
Add: Interest payable		794	526	794	526
		<u>1,000,794</u>	<u>500,526</u>	<u>1,000,794</u>	<u>500,526</u>
Less: Unamortised discounts		(89)	(271)	(89)	(271)
		<u>1,000,705</u>	<u>500,255</u>	<u>1,000,705</u>	<u>500,255</u>
		<u>2,902,908</u>	<u>2,402,145</u>	<u>2,502,278</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 date thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the 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.

Subsequently, on 25 June 2018, the Bank issued a second tranche of RM500.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 26 June 2023 (and thereafter) and due on 23 June 2028 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.86% per annum, which is payable semi-annually in arrears from the date of the issue.

A18 Multi-currency Additional Tier 1 capital securities

	<u>The Group and The Bank</u>	
	30/06/2018	30/06/2017
	RM'000	RM'000
RM400 million Multi-currency Additional Tier-1 capital securities at par	400,000	-
Add: Interest payable	1,799	-
	401,799	-
Less: Unamortised discounts	(607)	-
	401,192	-

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities ("capital securities") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, Hong Leong Financial Group Berhad. The capital securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The capital securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe the RM400.0 million 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>30/06/2018</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	12,545	12,771
	<u>512,545</u>	<u>512,771</u>
Less: Unamortised discounts	(2,439)	(4,223)
Fair value adjustments on completion of business combination accounting	2,246	7,075
	<u><u>512,352</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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Group				
Loan, advances and financing	1,173,412	1,149,830	4,642,090	4,621,500
Money at call and deposit placements with financial institutions	55,598	39,320	209,538	129,127
Securities purchased under resale agreements	(40)	220	3,513	35,504
Financial assets held-for-trading	96,586	89,070	382,004	382,427
Financial investments available-for-sale	188,476	171,548	742,369	638,942
Financial investments held-to-maturity	97,512	91,813	375,142	354,968
Others	788	389	2,903	666
	<u>1,612,332</u>	<u>1,542,190</u>	<u>6,357,559</u>	<u>6,163,134</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>12,958</u>	<u>35,021</u>	<u>52,766</u>	<u>53,446</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank				
Loan, advances and financing	1,152,680	1,131,249	4,562,593	4,546,702
Money at call and deposit placements with financial institutions	57,792	34,565	209,566	116,701
Securities purchased under resale agreements	(40)	220	3,513	35,504
Financial assets held-for-trading	96,586	89,431	382,086	386,508
Financial investments available-for-sale	187,662	170,543	738,767	634,351
Financial investments held-to-maturity	96,387	90,556	370,398	352,683
Others	596	306	2,404	440
	<u>1,591,663</u>	<u>1,516,870</u>	<u>6,269,327</u>	<u>6,072,889</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>12,958</u>	<u>35,021</u>	<u>52,766</u>	<u>53,446</u>

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A21 Interest expense

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	<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	44,863	28,994	165,480	89,709
Deposits from customers	738,287	657,577	2,803,439	2,724,809
Short-term placements	98,767	90,546	344,662	322,177
Senior bonds	-	2,051	-	33,764
Tier 2 subordinated bonds	23,280	22,943	92,268	92,117
Multi-currency Additional Tier-1 capital securities	5,107	-	12,783	-
Innovative Tier 1 capital securities	9,726	9,020	38,205	35,362
Recourse obligation on loans sold to Cagamas	1,895	1,895	7,602	6,727
Borrowings	-	153	-	3,859
Others	-	-	-	203
	<u>921,925</u>	<u>813,179</u>	<u>3,464,439</u>	<u>3,308,727</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	<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	49,216	29,686	175,551	92,010
Deposits from customers	727,127	646,810	2,757,875	2,689,718
Short-term placements	98,767	90,546	344,662	322,177
Senior bonds	-	2,051	-	33,764
Tier 2 subordinated bonds	23,280	22,943	92,268	92,117
Multi-currency Additional Tier-1 capital securities	5,149	-	12,051	-
Innovative Tier 1 capital securities	9,726	9,020	38,205	35,362
Recourse obligation on loans sold to Cagamas	1,895	1,895	7,602	6,727
	<u>915,160</u>	<u>802,951</u>	<u>3,428,214</u>	<u>3,271,875</u>

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A22 Net income from Islamic Banking business

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds and others	342,340	301,271	1,279,994	1,108,101
of which Finance income	344,338	300,947	1,277,517	1,103,706
of which other operating income	(1,998)	324	2,477	4,395
Income derived from investment of shareholders' funds	24,377	20,704	137,744	128,043
of which Finance income	15,012	13,271	96,158	83,076
of which other operating income	9,365	7,433	41,586	44,967
Income attributable to depositors	(203,976)	(179,174)	(771,674)	(686,045)
	162,741	142,801	646,064	550,099

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A23 Other operating income

Group	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
(a) Fee income:				
Commissions	42,520	44,582	172,773	161,653
Service charges and fees	14,561	16,249	62,674	62,661
Guarantee fees	3,507	3,410	14,213	13,663
Credit card related fees	49,710	55,742	218,225	236,211
Corporate advisory fees	54	26	481	2,114
Commitment fees	8,058	8,591	33,086	34,916
Fee on loans, advances and financing	9,837	9,835	39,136	50,541
Other fee income	7,312	12,021	33,133	47,428
	<u>135,559</u>	<u>150,456</u>	<u>573,721</u>	<u>609,187</u>
(b) (Loss)/gain arising from sale of financial assets:				
Net (loss)/gain from sale of financial assets held-for-trading	(5,764)	12,274	10,902	7,321
Net (loss)/gain from sale of derivative financial instruments	(69,197)	29,604	28,185	31,620
Net gain from sale of financial investments available-for-sale	63,893	43,602	197,037	60,377
Net gain from redemption of financial investments held-to-maturity	4	2	7	37
	<u>(11,064)</u>	<u>85,482</u>	<u>236,131</u>	<u>99,355</u>
(c) Gross dividend income from:				
Financial investments available-for-sale	<u>75,449</u>	<u>70,080</u>	<u>281,087</u>	<u>259,157</u>

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A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	(130)	2,713	(2,457)	(2,039)
- Derivatives financial instruments	105,425	(55,030)	109,026	70,574
	<u>105,295</u>	<u>(52,317)</u>	<u>106,569</u>	<u>68,535</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(96)</u>	<u>(74)</u>	<u>(800)</u>	<u>(115)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(14)</u>	<u>34</u>	<u>(152)</u>	<u>(3)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	38,674	21,485	104,749	91,170
Rental income	1,975	1,121	7,770	4,267
Gain on disposal of property and equipment	(54)	3	2,492	1,178
Net loss on dilution of investment in associated company	(26,800)	-	(26,800)	-
Other non-operating income	4,242	3,836	15,614	13,412
	<u>18,037</u>	<u>26,445</u>	<u>103,825</u>	<u>110,027</u>
Total other operating income	<u>323,166</u>	<u>280,106</u>	<u>1,300,381</u>	<u>1,146,143</u>

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A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	41,523	43,966	168,814	159,508
Service charges and fees	14,364	16,079	62,032	62,002
Guarantee fees	3,471	3,400	14,117	13,597
Credit card related fees	49,710	55,742	218,225	236,211
Corporate advisory fees	54	26	481	2,114
Commitment fees	7,866	8,458	32,407	34,479
Fee on loans, advances and financing	9,034	8,371	35,340	46,071
Other fee income	6,685	11,967	32,380	47,162
	<u>132,707</u>	<u>148,009</u>	<u>563,796</u>	<u>601,144</u>
(b) <u>(Loss)/gain arising from sale of financial assets:</u>				
Net (loss)/gain from sale of financial assets held-for-trading	(5,764)	12,274	10,902	7,321
Net (loss)/gain from sale of derivative financial instruments	(69,197)	29,604	28,185	31,620
Net gain from sale of financial investments available-for-sale	63,893	43,602	196,818	59,768
Net gain from redemption of financial investments held-to-maturity	4	2	7	37
	<u>(11,064)</u>	<u>85,482</u>	<u>235,912</u>	<u>98,746</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	43,400	-
Associated company	138,560	127,881	138,560	249,342
Investment in joint venture	-	-	4,882	4,698
Financial investments available-for-sale	75,449	70,080	281,087	259,157
	<u>214,009</u>	<u>197,961</u>	<u>467,929</u>	<u>513,197</u>

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A23 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets held-for-trading	(130)	2,713	(2,457)	(2,039)
- Derivatives financial instruments	105,425	(55,030)	109,026	70,574
	<u>105,295</u>	<u>(52,317)</u>	<u>106,569</u>	<u>68,535</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(96)</u>	<u>(74)</u>	<u>(800)</u>	<u>(115)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(14)</u>	<u>34</u>	<u>(152)</u>	<u>(3)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	38,209	20,986	103,180	89,779
Rental income	1,464	1,121	5,597	4,267
Gain on disposal of property and equipment	(54)	3	2,492	1,178
Other non-operating income	4,100	3,643	15,062	13,554
	<u>43,719</u>	<u>25,753</u>	<u>126,331</u>	<u>108,778</u>
Total other operating income	<u>484,556</u>	<u>404,848</u>	<u>1,499,585</u>	<u>1,390,282</u>

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A24 Other operating expenses

<u>Group</u>	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	240,443	245,918	1,008,943	1,006,908
- Medical expenses	11,544	13,856	35,791	34,660
- Training and convention expenses	7,595	7,755	26,317	29,407
- Staff welfare	2,435	2,468	9,253	11,086
- Others	8,874	7,611	26,050	30,117
	<u>270,891</u>	<u>277,608</u>	<u>1,106,354</u>	<u>1,112,178</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	32,447	25,069	120,812	91,477
- Amortisation of intangible assets	15,260	18,932	71,841	74,469
- Rental of premises	15,271	19,988	73,071	82,255
- Information technology expenses	41,606	39,431	164,271	147,713
- Security services	8,128	7,712	28,896	28,451
- Electricity, water and sewerage	6,499	6,237	26,447	24,154
- Hire of plant and machinery	3,150	3,664	12,661	14,529
- Others	10,758	4,853	35,574	20,866
	<u>133,119</u>	<u>125,886</u>	<u>533,573</u>	<u>483,914</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	10,537	9,167	36,888	31,029
- Credit card related fees	24,762	27,954	107,491	108,998
- Others	4,227	4,164	16,262	15,571
	<u>39,526</u>	<u>41,285</u>	<u>160,641</u>	<u>155,598</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,773	4,724	16,225	17,123
- Stationery and printing expenses	3,716	4,475	14,860	16,454
- Professional fees	24,848	21,899	88,287	73,986
- Insurance fees	9,877	10,115	41,772	40,175
- Stamp, postage and courier	1,686	4,442	13,971	18,572
- Travelling and transport expenses	1,393	991	4,414	4,077
- Registration and license fees	2,257	2,254	9,125	9,117
- Brokerage and commission	2,419	1,759	7,946	6,681
- Credit card fees	9,571	10,423	39,854	39,331
- Others	7,750	9,412	23,427	30,317
	<u>67,290</u>	<u>70,494</u>	<u>259,881</u>	<u>255,833</u>
	<u>510,826</u>	<u>515,273</u>	<u>2,060,449</u>	<u>2,007,523</u>

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A24 Other operating expenses (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	196,065	202,988	838,865	835,520
- Medical expenses	10,195	11,523	31,108	29,061
- Training and convention expenses	6,431	6,782	21,569	26,064
- Staff welfare	2,089	2,091	7,973	9,510
- Others	7,162	5,904	19,760	23,503
	<u>221,942</u>	<u>229,288</u>	<u>919,275</u>	<u>923,658</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	24,779	23,381	102,085	84,925
- Amortisation of intangible assets	14,233	17,797	67,719	70,504
- Rental of premises	19,001	16,175	87,041	66,719
- Information technology expenses	39,334	35,898	153,584	133,385
- Security services	6,378	6,311	22,677	22,988
- Electricity, water and sewerage	5,725	5,360	20,812	20,783
- Hire of plant and machinery	2,997	3,443	12,026	13,661
- Others	6,147	1,509	18,114	5,372
	<u>118,594</u>	<u>109,874</u>	<u>484,058</u>	<u>418,337</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	9,402	7,937	33,796	28,026
- Credit card related fees	24,762	27,954	107,491	108,998
- Others	3,398	3,361	13,610	12,996
	<u>37,562</u>	<u>39,252</u>	<u>154,897</u>	<u>150,020</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,681	4,631	15,826	16,769
- Stationery and printing expenses	3,546	4,300	13,965	15,829
- Professional fees	23,992	21,118	83,884	71,264
- Insurance fees	8,641	8,730	36,459	35,363
- Stamp, postage and courier	1,612	4,360	13,639	18,232
- Travelling and transport expenses	1,072	660	3,283	2,927
- Registration and license fees	2,027	2,003	8,154	8,111
- Brokerage and commission	1,026	988	3,793	3,569
- Credit card fees	9,571	10,423	39,854	39,331
- Others	7,460	8,277	20,161	32,592
	<u>62,628</u>	<u>65,490</u>	<u>239,018</u>	<u>243,987</u>
	<u>440,726</u>	<u>443,904</u>	<u>1,797,248</u>	<u>1,736,002</u>

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for/(write back of) impairment loans, advances and financing:				
- collective assessment allowance	71,713	53,285	299,887	283,057
- individual assessment allowance	(5,431)	79,012	7,892	116,236
Impaired loans and financing:				
- written off	4,601	5,939	19,719	22,508
- recovered from bad debt written off	(61,080)	(74,565)	(250,847)	(260,642)
	<u>9,803</u>	<u>63,671</u>	<u>76,651</u>	<u>161,159</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- collective assessment allowance	49,023	25,610	224,340	217,958
- individual assessment allowance	(2,493)	75,413	(1,125)	107,888
Impaired loans and financing:				
- written off	3,550	4,599	15,992	19,114
- recovered from bad debt written off	(52,885)	(67,574)	(206,558)	(235,687)
	<u>(2,805)</u>	<u>38,048</u>	<u>32,649</u>	<u>109,273</u>

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A26 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total capital ratio for year 2018 are 6.375%, 7.875% and 9.875% respectively.

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

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

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

	The Group		The Bank	
	Financial Year Ended 30/06/2018	Financial Year Ended 30/06/2017	Financial Year Ended 30/06/2018	Financial Year Ended 30/06/2017
Before deducting proposed dividends				
CET I capital ratio	13.113%	13.788%	12.545%	13.078%
Tier I capital ratio	13.797%	14.193%	12.997%	13.556%
Total capital ratio	<u>16.752%</u>	<u>16.280%</u>	<u>16.301%</u>	<u>15.997%</u>
After deducting proposed dividends				
CET I capital ratio	12.614%	13.286%	11.949%	12.486%
Tier I capital ratio	13.298%	13.691%	12.401%	12.964%
Total capital ratio	<u>16.253%</u>	<u>15.779%</u>	<u>15.706%</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 Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2018 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	15,184,533	13,560,582	11,212,525	10,245,205
Other reserves	868,134	1,265,223	298,837	422,954
Less: Treasury shares	(732,267)	(733,961)	(732,267)	(733,961)
Less: Deferred tax assets	(53,067)	(4,851)	(47,908)	-
Less: Other intangible assets	(152,541)	(213,323)	(137,166)	(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	(3,830,517)	(2,908,861)	(2,778,569)	(2,148,516)
Total CET I capital	17,192,026	16,872,560	13,782,968	13,558,328
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	399,393	-	399,393	-
Innovative Tier I capital securities	497,562	495,778	497,562	495,778
Additional Tier I capital before regulatory adjustments	896,955	495,778	896,955	495,778
Less : Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	-
Additional Tier I capital after regulatory adjustments	896,955	495,778	496,955	495,778
Total Tier I capital	18,088,981	17,368,338	14,279,923	14,054,106
Tier II capital				
Collective assessment allowance [^] and regulatory reserves #	1,375,082	1,281,686	1,130,670	1,067,705
Subordinated bonds	2,499,820	1,999,723	2,499,820	1,999,723
Tier II capital before regulatory adjustments	3,874,902	3,281,409	3,630,490	3,067,428
Less : Investment in subsidiary companies/ associated company/joint venture	-	(727,215)	-	(537,129)
Total Tier II capital	3,874,902	2,554,194	3,630,490	2,530,299
Total capital	21,963,883	19,922,532	17,910,413	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 RM741,694,000 (2017: RM667,238,000) and RM637,098,000 (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 Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2017 RM'000
Credit risk	118,853,998	111,299,987	98,504,099	93,397,418
Market risk	3,850,444	3,115,525	4,140,291	3,340,119
Operational risk	8,403,939	7,958,340	7,226,134	6,934,552
Total RWA	131,108,381	122,373,852	109,870,524	103,672,089

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

	Hong Leong Islamic Bank Berhad	
	Financial Year Ended 30/06/2018	Financial Year Ended 30/06/2017
Before deducting proposed dividends		
CET I capital ratio	10.461%	10.622%
Tier I capital ratio	12.404%	10.622%
Total capital ratio	<u>15.477%</u>	<u>13.946%</u>
After deducting proposed dividends		
CET I capital ratio	10.461%	10.622%
Tier I capital ratio	12.404%	10.622%
Total capital ratio	<u>15.477%</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 30/06/2018

	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	624,151	191,028	316,870	55,677	161,295	(172,707)	1,176,314
Inter-segment revenue	(1,881)	109,049	(199,957)	-	92,789	-	-
Segment revenue	<u>622,270</u>	<u>300,077</u>	<u>116,913</u>	<u>55,677</u>	<u>254,084</u>	<u>(172,707)</u>	<u>1,176,314</u>
Segment profit before taxation	242,825	219,193	86,151	8,916	281,863	(178,631)	660,317
Share of profit after tax of equity accounted associated company				111,680			111,680
Share of profit after tax of equity accounted joint venture				5,641			5,641
Profit before taxation							<u>777,638</u>
Taxation							(151,630)
Profit after taxation							<u><u>626,008</u></u>

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

Financial year ended 30/06/2018

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	2,610,192	685,968	1,352,599	235,723	198,853	(243,770)	4,839,565
Inter-segment revenue	(56,665)	454,651	(775,811)	-	377,825	-	-
Segment revenue	<u>2,553,527</u>	<u>1,140,619</u>	<u>576,788</u>	<u>235,723</u>	<u>576,678</u>	<u>(243,770)</u>	<u>4,839,565</u>
Segment profit before taxation	1,118,616	830,782	468,152	53,095	494,334	(255,383)	2,709,596
Share of profit after tax of equity accounted associated company				516,111			516,111
Share of profit after tax of equity accounted joint venture				20,548			20,548
Profit before taxation							<u>3,246,255</u>
Taxation							(608,177)
Profit after taxation							<u>2,638,078</u>
Segment assets	90,642,621	31,235,152	57,564,956	13,414,023	-	-	192,856,752
Unallocated assets							10,034,021
Total assets							<u>202,890,773</u>

Corresponding quarter ended 30/06/2017

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

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

Corresponding financial year ended 30/06/2017

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

A28 Property and equipment

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

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

There are no material events subsequent to the end of the financial year ended 30 June 2018.

A29(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial year ended 30 June 2018 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:

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Principal amount				
Direct credit substitutes	108,341	81,785	50,361	28,387
Certain transaction related contingent items	1,286,782	1,391,110	1,165,364	1,285,746
Short-term self liquidating trade related contingencies	831,871	769,864	800,721	733,985
Irrevocable commitments to extend credit:				
- maturity more than one year	14,301,856	13,257,147	10,410,497	9,601,053
- maturity less than one year	16,074,688	16,097,927	14,108,380	14,562,467
Foreign exchange related contracts:				
- less than one year	42,895,473	35,909,765	41,893,038	35,531,864
- one year to less than five years	2,640,932	3,646,999	2,640,932	3,646,999
- five years and above	517,408	1,153,405	517,408	1,153,405
Interest rate related contracts:				
- less than one year	28,281,796	43,388,997	28,281,796	43,138,997
- one year to less than five years	46,342,804	34,308,796	48,687,804	34,423,796
- five years and above	6,839,805	5,562,786	6,389,805	4,862,786
Equity related contracts:				
- less than one year	306,258	155,471	306,258	155,471
- one year to less than five years	503,502	279,187	503,502	279,187
Unutilised credit card lines	6,908,565	7,001,256	6,908,565	7,001,256
Total	167,840,081	163,004,495	162,664,431	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	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Aggregate value of outstanding credit exposures with connected parties	2,340,089	1,826,420	2,317,297	1,655,767
Outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.61%	1.30%	1.96%	1.42%
Outstanding credit exposures with connected parties which is non-performing or in default as a proportion of total credit exposures (%)	0.0002%	0.0133%	0.0003%	0.0160%

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A32 Fair value of financial instruments

Financial instruments comprise of 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 uses inputs such as market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

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 Year Ended 30/06/2018			
	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	-	5,782,957	-	5,782,957
- Quoted securities	108,940	-	-	108,940
- Unquoted securities	-	77,975	-	77,975
Financial investments available-for-sale				
- Money market instrument	-	7,210,876	-	7,210,876
- Quoted securities	11,756,789	-	-	11,756,789
- Unquoted securities	-	12,427,759	467,512	12,895,271
Derivative financial instruments	1,221	902,970	13,876	918,067
	<u>11,866,950</u>	<u>26,402,537</u>	<u>481,388</u>	<u>38,750,875</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	4,913	1,001,407	13,876	1,020,196
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,167,150	-	3,167,150
	<u>4,913</u>	<u>4,168,557</u>	<u>13,876</u>	<u>4,187,346</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 year (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 Year Ended 30/06/2018			
	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	-	5,432,120	-	5,432,120
- Quoted securities	108,940	-	-	108,940
- Unquoted securities	-	77,975	-	77,975
Financial investments available-for-sale				
- Money market instrument	-	5,739,723	-	5,739,723
- Quoted securities	11,745,511	-	-	11,745,511
- Unquoted securities	-	11,065,834	467,512	11,533,346
Derivative financial instruments	1,221	917,829	13,876	932,926
	<u>11,855,672</u>	<u>23,233,481</u>	<u>481,388</u>	<u>35,570,541</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	4,913	964,891	13,876	983,680
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,018,571	-	2,018,571
	<u>4,913</u>	<u>2,983,462</u>	<u>13,876</u>	<u>3,002,251</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 year (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 RM'000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Settlements	-	(6,036)	(6,036)
Disposal	(149,361)	-	-
At 30 June	<u>467,512</u>	<u>13,876</u>	<u>13,876</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	<u>-</u>	<u>4,672</u>	<u>4,672</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>
The Bank 2018	Financial Assets		Financial
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Liability Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Settlements	-	(6,036)	(6,036)
Disposal	(149,361)	-	-
At 30 June	<u>467,512</u>	<u>13,876</u>	<u>13,876</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	<u>-</u>	<u>4,672</u>	<u>4,672</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>

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

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

A33 Liquidity risk

Please refer to Appendix A.

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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 RM777.6 million for the current financial quarter ended 30 June 2018, an increase of RM97.7 million or 14.4% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM24.4 million, lower operating expenses of RM4.4 million, lower allowance for impairment losses on loans, advances and financing of RM53.9 million, higher writeback of impairment losses on financial investments of RM3.2 million and higher share of profit from associated company of RM10.6 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM242.8 million for the fourth quarter ended 30 June 2018 as compared to previous corresponding quarter of RM253.2 million. The decrease in pre-tax profit was mainly contributed by lower total income and higher operating expenses, partially offset by lower 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 RM219.2 million for the fourth quarter ended 30 June 2018 as compared to previous corresponding quarter of RM135.0 million. The increase in pre-tax profit was mainly contributed by higher total income and lower allowance for impairment losses on loans, advances and financing, partially offset by higher total operating expenses.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM86.2 million for the fourth quarter ended 30 June 2018 as compared to previous corresponding quarter of RM68.9 million. The increase in pre-tax profit was mainly contributed by higher total income.

International Banking

The International Banking's segment recorded a pre-tax profit of RM126.2 million for the fourth quarter ended 30 June 2018 as compared to previous corresponding quarter of RM113.8 million. The increase in performance was mainly contributed by higher share of profit from associated company in China.

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B1 Review of performance (continued)

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

The Group's pre-tax profit for the financial year ended 30 June 2018 stood at RM3,246.3 million, an increase of RM498.0 million or 18.1% as compared to RM2,748.3 million in the previous financial year. The increase was mainly due to higher net income of RM288.9 million, lower allowance for impairment losses on loans, advances and financing of RM84.5 million, higher write back of impairment losses on financial investments of RM4.9 million and higher share of profit from associated company of RM173.2 million. This is mitigated by higher operating expenses of RM52.9 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM1,118.6 million for the financial year ended 30 June 2018 as compared to previous financial year of RM1,119.9 million. The decrease in pre-tax profit was mainly contributed by higher operating expenses, partially offset by higher income and lower allowance for impairment losses on loans, advances and financing.

Personal Financial Services's loan base grew from RM87.4 billion as at 30 June 2017 to RM90.4 billion as at 30 June 2018. Deposit base registered a growth from RM88.8 billion to RM90.5 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM830.8 million for the financial year ended 30 June 2018 as compared to previous financial year of RM718.4 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 increased from RM30.0 billion as at 30 June 2017 to RM31.2 billion as at 30 June 2018. Deposit base increased from RM30.2 billion to RM30.7 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM468.2 million for the financial year ended 30 June 2018 as compared to previous financial year of RM405.9 million. The increase in pre-tax profit was mainly contributed by higher income and lower operating expenses.

Treasury earning assets registered an increase from RM53.5 billion as at 30 June 2017 to RM56.2 billion as at 30 June 2018.

International Banking

The International Banking's segment recorded a pre-tax profit of RM589.8 million for the financial year ended 30 June 2018 as compared to previous financial year of RM400.3 million. The increase in performance was mainly contributed by higher share of profit from associated company in China 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 RM777.6 million as compared to RM855.1 million in the preceding quarter, an decrease of RM77.5 million mainly contributed by lower net income of RM79.8 million and lower share of profit from associated company of RM19.6 million. However, this is partially offsetted by lower operating expenses of RM15.8 million, lower allowance for impairment losses on loans, advances and financing of RM3.2 million and higher write back of impairment losses on financial investments of RM2.7 million.

B3 Prospects for the new financial year 2018/2019

The Malaysian economy shall continue to expand moderately in tandem with the world economy going into 2019. Sustained expansion in global demand is anticipated to continue to underpin global economic growth but it is also susceptible to fallout from ongoing trade disputes as well as policy divergence between the Fed and other major economies. Despite such external uncertainties, we believe that the prospects of the Malaysian economy will hinge on sustainability of domestic demand, a steady labour market, continuous wage growth, and reform measures under the new government which will augur well with consumer sentiments hence providing a boost to private consumption growth.

Balanced global growth prospects will provide the Bank with the impetus to continue pursuing growth in both our domestic and regional business by entrenching ourselves in the communities leveraging on our branch footprint and enhanced digital capabilities. We remained committed to deliver sustainable growth and long-term shareholder value by strengthening our digital offerings and transforming our products and services to offer differentiated experience to our customers through reimagined customer journeys.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	184,386	113,853	658,826	564,337
Transfer (to)/from deferred taxation	(32,756)	83,189	(50,649)	38,899
	<u>151,630</u>	<u>197,042</u>	<u>608,177</u>	<u>603,236</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	191,853	133,269	598,050	562,805
Transfer (to)/from deferred taxation	(31,673)	84,536	(52,529)	40,271
	<u>160,180</u>	<u>217,805</u>	<u>545,521</u>	<u>603,076</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 year under review.

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2018:

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	33,008,811	396,031	(299,034)
(ii) 1 year to 3 years	109,040	-	(7,832)
Swaps			
(i) Less than 1 year	7,552,880	151,639	(275,553)
(ii) 1 year to 3 years	1,340,534	45,187	(27,542)
(iii) More than 3 years	1,708,766	82,045	(29,159)
Options			
(i) Less than 1 year	2,333,782	15,973	(12,834)
Interest rate related contracts			
Futures			
(i) Less than 1 year	17,026,043	817	(4,042)
(ii) 1 year to 3 years	6,865,450	404	(871)
Swaps			
(i) Less than 1 year	11,255,753	6,880	(12,921)
(ii) 1 year to 3 years	25,813,386	90,231	(87,007)
(iii) More than 3 years	20,503,773	114,983	(249,524)
Equity related contracts			
(i) Less than 1 year	306,258	3,928	(3,927)
(ii) 1 year to 3 years	476,187	6,737	(6,738)
(iii) More than 3 years	27,315	3,212	(3,212)
Total	128,327,978	918,067	(1,020,196)

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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 30 June 2018:

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	32,295,354	390,456	(295,681)
(ii) 1 year to 3 years	109,039	-	(7,832)
Swaps			
(i) Less than 1 year	7,263,902	151,639	(274,914)
(ii) 1 year to 3 years	1,340,535	45,187	(27,542)
(iii) More than 3 years	1,708,766	82,045	(29,159)
Options			
(i) Less than 1 year	2,333,782	15,973	(12,834)
Interest rate related contracts			
Futures			
(i) Less than 1 year	17,026,043	817	(4,042)
(ii) 1 year to 3 years	6,865,451	404	(871)
Swaps			
(i) Less than 1 year	11,255,753	6,852	(12,921)
(ii) 1 year to 3 years	26,473,386	90,813	(86,333)
(iii) More than 3 years	21,738,772	134,863	(217,675)
Equity related contracts			
(i) Less than 1 year	306,258	3,928	(3,927)
(ii) 1 year to 3 years	476,187	6,737	(6,738)
(iii) More than 3 years	27,315	3,212	(3,211)
Total	129,220,543	932,926	(983,680)

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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 year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM57,213,000 (FYE June 2017: RM115,444,000) and RM86,167,241,000 (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 RM1,049,517,000 (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 instruments 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

A final single tier dividend of 32.0 sen per share has been proposed for the current quarter.

- (i) Amount per share: 32.0 sen.
- (ii) Previous corresponding quarter: single tier dividend of 30.0 sen per share.
- (iii) Entitlement date: To be announced later.
- (iv) Payment date: To be announced later.

B12 Earnings per share

(a) Basic earnings per share

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	RM'000	RM'000	RM'000	RM'000
<u>The Group</u>				
Net profit attributable to equity holders	626,008	482,917	2,638,078	2,145,016
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	(122,041)	(122,215)	(122,041)	(122,215)
	<u>2,045,677</u>	<u>2,045,503</u>	<u>2,045,677</u>	<u>2,045,503</u>
Basic earnings per share (sen)	30.6	23.6	129.0	104.9
<u>The Bank</u>				
Net profit attributable to equity holders	567,590	420,403	1,972,411	1,744,051
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	(122,041)	(122,215)	(122,041)	(122,215)
	<u>2,045,677</u>	<u>2,045,503</u>	<u>2,045,677</u>	<u>2,045,503</u>
Basic earnings per share (sen)	27.7	20.6	96.4	85.3

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B12 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	626,008	482,917	2,638,078	2,145,016
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,677	2,045,503	2,045,677	2,045,503
- adjustment for ESS	3,423	551	3,423	551
	2,049,100	2,046,054	2,049,100	2,046,054
Fully diluted earnings per share (sen)	30.6	23.6	128.7	104.8
<u>The Bank</u>				
Net profit attributable to equity holders	567,590	420,403	1,972,411	1,744,051
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,677	2,045,503	2,045,677	2,045,503
- adjustment for ESS	3,423	551	3,423	551
	2,049,100	2,046,054	2,049,100	2,046,054
Fully diluted earnings per share (sen)	27.7	20.5	96.3	85.2

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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 30 June 2018 based on the remaining contractual maturity:

	The Group							Total
	30 June 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	5,010,896	1,461,509	-	-	-	-	-	6,472,405
Deposits and placements with banks and other financial institutions	-	-	2,091,492	664,596	40,392	-	-	2,796,480
Financial assets held-for-trading	400,168	601,228	1,424,652	150,111	10,065	3,383,648	-	5,969,872
Financial investments available-for-sale	4,603,924	1,119,715	2,845,539	235,461	1,109,591	21,481,194	467,512	31,862,936
Financial investments held-to-maturity	-	-	204,482	141,135	1,671,354	12,419,974	-	14,436,945
Loans, advances and financing	12,484,785	6,087,736	5,250,306	1,788,511	595,167	101,852,600	-	128,059,105
Other assets	545,398	7,450	9,384	11,525	4,647	16,427	185,238	780,069
Derivative financial instruments	32,753	67,845	229,657	168,826	76,187	342,799	-	918,067
Statutory deposits with Central Banks	-	-	-	-	-	-	4,312,482	4,312,482
Investment in associated companies	-	-	-	-	-	-	3,651,091	3,651,091
Investment in joint venture	-	-	-	-	-	-	179,426	179,426
Property and equipment	-	-	-	-	-	-	1,414,975	1,414,975
Intangible assets	-	-	-	-	-	-	152,541	152,541
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	53,067	53,067
Total assets	23,077,924	9,345,483	12,055,512	3,160,165	3,507,403	139,496,642	12,247,644	202,890,773

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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 2018 based on the remaining contractual maturity: (continued)

	The Group							Total
	30 June 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	58,579,387	24,848,207	25,449,016	16,726,662	26,303,065	5,507,758	-	157,414,095
Deposits and placements of banks and other financial institutions	3,499,882	590,203	2,867,119	208,129	72,101	-	-	7,237,434
Obligations on securities sold under repurchase agreements	1,594	751,540	3,078,735	-	-	-	-	3,831,869
Bills and acceptances payable	39,140	227,138	28,108	26,182	-	-	223,883	544,451
Other liabilities	4,387,338	-	-	-	199,233	-	132,875	4,719,446
Derivative financial instruments	94,764	117,336	109,292	204,696	82,230	411,878	-	1,020,196
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,952	-	202,952
Tier 2 subordinated bonds	-	-	-	-	2,402,509	500,399	-	2,902,908
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,192	-	401,192
Innovative Tier 1 capital securities	-	-	-	-	-	512,352	-	512,352
Taxation	-	-	-	-	-	-	211,619	211,619
Total liabilities	66,602,105	26,534,424	31,532,270	17,165,669	29,059,138	7,536,531	568,377	178,998,514
Total equity	-	-	-	-	-	-	23,892,259	23,892,259
Total liabilities and equity	66,602,105	26,534,424	31,532,270	17,165,669	29,059,138	7,536,531	24,460,636	202,890,773
Net liquidity gap	(43,524,181)	(17,188,941)	(19,476,758)	(14,005,504)	(25,551,735)	131,960,111	11,679,267	23,892,259

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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	1,223,271	6,896	10,702	14,461	6,177	18,820	127,404	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	24,029,651	7,066,221	10,511,298	3,845,145	1,585,911	131,732,709	16,781,587	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	3,825,483	-	-	-	170,459	-	56,725	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	61,716,234	28,720,737	33,348,443	22,365,423	17,820,717	8,221,129	674,426	172,867,109
Total equity	-	-	-	-	-	-	22,685,413	22,685,413
Total liabilities and equity	61,716,234	28,720,737	33,348,443	22,365,423	17,820,717	8,221,129	23,359,839	195,552,522
Net liquidity gap	(37,686,583)	(21,654,516)	(22,837,145)	(18,520,278)	(16,234,806)	123,511,580	16,107,161	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 30 June 2018 based on the remaining contractual maturity:

	The Bank							Total
	30 June 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	3,604,463	1,945,925	-	-	-	-	-	5,550,388
Deposits and placements with banks and other financial institutions	-	-	2,100,965	564,165	40,392	-	-	2,705,522
Financial assets held-for-trading	400,168	401,418	1,424,652	150,111	10,065	3,232,621	-	5,619,035
Financial investments available-for-sale	4,603,924	1,109,454	2,840,482	220,333	1,038,398	18,738,477	467,512	29,018,580
Financial investments held-to-maturity	-	-	204,482	141,135	1,049,460	9,511,488	-	10,906,565
Loans, advances and financing	11,124,805	5,333,867	4,910,310	1,567,186	446,077	80,892,658	-	104,274,903
Other assets	516,828	4,922	9,186	11,229	4,571	16,202	123,758	686,696
Derivative financial instruments	32,061	67,792	226,287	167,365	76,160	363,261	-	932,926
Amount due from subsidiaries	-	-	-	-	-	-	43,563	43,563
Statutory deposits with Central Banks	-	-	-	-	-	-	3,453,017	3,453,017
Subsidiary companies	-	-	-	-	-	-	2,157,132	2,157,132
Investment in associated companies	-	-	-	-	-	-	946,525	946,525
Investment in joint venture	-	-	-	-	-	-	76,711	76,711
Property and equipment	-	-	-	-	-	-	782,853	782,853
Intangible assets	-	-	-	-	-	-	137,166	137,166
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	47,908	47,908
Total assets	20,282,249	8,863,378	11,716,364	2,821,524	2,665,123	112,754,707	10,007,692	169,111,037

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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 2018 based on the remaining contractual maturity: (continued)

	The Bank							Total
	30 June 2018							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	49,133,318	20,106,097	20,409,995	13,644,822	22,152,549	4,136,644	-	129,583,425
Deposits and placements of banks and other financial institutions	3,777,382	590,203	2,701,102	105,066	72,101	-	-	7,245,854
Obligations on securities sold under repurchase agreements	1,594	742,893	3,060,632	-	-	-	-	3,805,119
Bills and acceptances payable	38,777	226,857	26,294	24,460	-	-	190,583	506,971
Other liabilities	3,684,210	-	-	-	194,840	-	53,119	3,932,169
Derivative financial instruments	94,244	116,459	108,104	203,282	82,230	379,361	-	983,680
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	202,952	-	202,952
Tier 2 subordinated bonds	-	-	-	-	2,001,879	500,399	-	2,502,278
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,192	-	401,192
Innovative Tier 1 capital securities	-	-	-	-	-	512,352	-	512,352
Taxation	-	-	-	-	-	-	171,958	171,958
Total liabilities	56,729,525	21,782,509	26,306,127	13,977,630	24,503,599	6,132,900	415,660	149,847,950
Total equity	-	-	-	-	-	-	19,263,087	19,263,087
Total liabilities and equity	56,729,525	21,782,509	26,306,127	13,977,630	24,503,599	6,132,900	19,678,747	169,111,037
Net liquidity gap	(36,447,276)	(12,919,131)	(14,589,763)	(11,156,106)	(21,838,476)	106,621,807	9,592,032	19,263,087

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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	1,157,336	6,777	10,502	14,185	6,171	16,524	97,844	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
	22,068,342	6,663,990	9,179,971	3,386,949	1,390,704	107,794,499	14,332,230	164,816,685

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A33 Liquidity risk (continued)

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

	The Bank							Total
	30 June 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	3,262,291	-	-	-	165,880	-	47,518	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	52,342,928	24,499,351	28,025,704	19,596,880	14,409,627	6,876,805	623,009	146,374,304
Total equity	-	-	-	-	-	-	18,442,381	18,442,381
Total liabilities and equity	52,342,928	24,499,351	28,025,704	19,596,880	14,409,627	6,876,805	19,065,390	164,816,685
Net liquidity gap	(30,274,586)	(17,835,361)	(18,845,733)	(16,209,931)	(13,018,923)	100,917,694	13,709,221	18,442,381