

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

**Condensed Financial Statements**  
**Unaudited Statements of Financial Position As At 30 September 2018**

		The Group		The Bank	
	Note	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
<b><u>ASSETS</u></b>					
Cash and short-term funds		6,442,301	6,472,405	6,123,297	5,550,388
Deposits and placements with banks and other financial institutions		3,721,098	2,796,480	3,742,346	2,705,522
Financial assets at fair value through profit or loss	A8	12,494,300	-	12,000,779	-
Financial assets held-for-trading	A9	-	5,969,872	-	5,619,035
Financial investments at fair value through other comprehensive income	A10	26,412,432	-	23,421,484	-
Financial investments available-for-sale	A11	-	31,862,936	-	29,018,580
Financial investments at amortised cost	A12	16,406,408	-	12,452,297	-
Financial investments held-to-maturity	A13	-	14,436,945	-	10,906,565
Loans, advances and financing	A14	128,484,709	128,059,105	104,057,283	104,274,903
Other assets	A15	1,291,309	780,069	1,262,821	686,696
Derivative financial instruments		819,825	918,067	821,515	932,926
Amount due from subsidiaries		-	-	31,921	43,563
Statutory deposits with Central Banks		4,322,650	4,312,482	3,404,628	3,453,017
Subsidiary companies		-	-	2,162,928	2,157,132
Investment in associated companies	A16	3,789,313	3,651,091	971,182	946,525
Investment in joint venture	A17	-	179,426	-	76,711
Property and equipment		1,415,756	1,414,975	786,822	782,853
Intangible assets		145,420	152,541	129,513	137,166
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		28,547	53,067	27,660	47,908
<b>TOTAL ASSETS</b>		<b>207,605,380</b>	<b>202,890,773</b>	<b>173,168,023</b>	<b>169,111,037</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>					
Deposits from customers	A18	158,821,401	157,414,095	131,016,959	129,583,425
Deposits and placements of banks and other financial institutions	A19	8,966,632	7,237,434	8,437,770	7,245,854
Obligations on securities sold under repurchase agreements		4,752,413	3,831,869	4,752,413	3,805,119
Bills and acceptances payable		1,146,074	544,451	1,119,214	506,971
Other liabilities	A20	4,550,051	4,719,446	3,705,449	3,932,169
Derivative financial instruments		825,079	1,020,196	783,318	983,680
Recourse obligation on loans sold to Cagamas Berhad		201,077	202,952	201,077	202,952
Tier 2 subordinated bonds	A21	2,937,000	2,902,908	2,531,520	2,502,278
Multi-currency Additional Tier 1 capital securities	A22	406,396	401,192	406,396	401,192
Innovative Tier 1 capital securities	A23	501,710	512,352	501,710	512,352
Provision for taxation		140,990	211,619	97,346	171,958
<b>TOTAL LIABILITIES</b>		<b>183,248,823</b>	<b>178,998,514</b>	<b>153,553,172</b>	<b>149,847,950</b>
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		17,349,761	16,885,463	12,608,055	12,256,291
Less: Treasury shares		(732,267)	(732,267)	(732,267)	(732,267)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>24,356,557</b>	<b>23,892,259</b>	<b>19,614,851</b>	<b>19,263,087</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>207,605,380</b>	<b>202,890,773</b>	<b>173,168,023</b>	<b>169,111,037</b>
<b><u>COMMITMENTS AND CONTINGENCIES</u></b>	A36	<b>162,959,144</b>	<b>167,840,081</b>	<b>156,917,002</b>	<b>162,664,431</b>
Net asset per share attributable to ordinary equity holders of the parent (RM) *		11.91	11.68	9.59	9.42

\* 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 2018.*

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

**Condensed Financial Statements**  
**Unaudited Statements of Income**  
**For The Financial Period Ended 30 September 2018**

	Note	The Group			
		Current Quarter Ended 30/09/2018 RM'000	Corresponding Quarter Ended 30/09/2017 RM'000	Current Period Ended 30/09/2018 RM'000	Corresponding Period Ended 30/09/2017 RM'000
Interest income	A24	1,667,350	1,572,204	1,667,350	1,572,204
Interest expense	A25	(969,105)	(831,678)	(969,105)	(831,678)
Net interest income		698,245	740,526	698,245	740,526
Net income from Islamic Banking business	A26	171,076	159,810	171,076	159,810
Other operating income	A27	379,704	278,294	379,704	278,294
Net income		1,249,025	1,178,630	1,249,025	1,178,630
Other operating expenses	A28	(525,162)	(507,145)	(525,162)	(507,145)
Operating profit before allowances		723,863	671,485	723,863	671,485
Allowance for impairment losses on loans, advances and financing	A29	(18,767)	(43,413)	(18,767)	(43,413)
Write back of impairment losses on financial investments	A30	56	1	56	1
Allowance for impairment losses on other financial assets	A31	(888)	-	(888)	-
		704,264	628,073	704,264	628,073
Share of profit after tax of equity accounted associated companies		146,871	147,752	146,871	147,752
Share of profit after tax of equity accounted joint venture		-	4,567	-	4,567
Profit before taxation		851,135	780,392	851,135	780,392
Taxation	B5	(144,220)	(141,424)	(144,220)	(141,424)
Net profit for the financial period		706,915	638,968	706,915	638,968
<b>Attributable to:</b>					
Owners of the parent		706,915	638,968	706,915	638,968
Earnings per share - basic (sen)	B12(a)	34.6	31.2	34.6	31.2
Earnings per share - fully diluted (sen)	B12(b)	34.4	31.2	34.4	31.2

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**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Statements of Comprehensive Income**  
**For The Financial Period Ended 30 September 2018**

	<b>The Group</b>			
	<b>Current Quarter Ended 30/09/2018 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2017 RM'000</b>	<b>Current Period Ended 30/09/2018 RM'000</b>	<b>Corresponding Period Ended 30/09/2017 RM'000</b>
Net profit for the financial period	706,915	638,968	706,915	638,968
Other comprehensive loss:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss)/income of associated company	(822)	525	(822)	525
Currency translation differences	(45,491)	(27,457)	(45,491)	(27,457)
Net fair value changes on financial investments at fair value through other comprehensive income	33,265	-	33,265	-
Net fair value changes on financial investments available-for-sale	-	19,867	-	19,867
Net fair value changes in cash flow hedge	(729)	(136)	(729)	(136)
Income tax relating to components of other comprehensive income	(11,743)	(4,178)	(11,743)	(4,178)
Other comprehensive loss for the financial period, net of tax	(25,520)	(11,379)	(25,520)	(11,379)
Total comprehensive income for the financial period	<u>681,395</u>	<u>627,589</u>	<u>681,395</u>	<u>627,589</u>
Attributable to:				
- Owners of the parent	<u>681,395</u>	<u>627,589</u>	<u>681,395</u>	<u>627,589</u>

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**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Statements of Income**  
**For The Financial Period Ended 30 September 2018**

	Note	<b>The Bank</b>			
		<b>Current Quarter Ended 30/09/2018 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2017 RM'000</b>	<b>Current Period Ended 30/09/2018 RM'000</b>	<b>Corresponding Period Ended 30/09/2017 RM'000</b>
Interest income	A24	1,641,766	1,550,297	1,641,766	1,550,297
Interest expense	A25	(961,716)	(822,465)	(961,716)	(822,465)
Net interest income		680,050	727,832	680,050	727,832
Other operating income	A27	432,823	280,553	432,823	280,553
Net income		1,112,873	1,008,385	1,112,873	1,008,385
Other operating expenses	A28	(457,324)	(446,001)	(457,324)	(446,001)
Operating profit before allowances		655,549	562,384	655,549	562,384
Allowance for impairment losses on loans, advances and financing	A29	(6,741)	(18,263)	(6,741)	(18,263)
Write back of impairment losses on financial investments	A30	48	1	48	1
Allowance for impairment losses on other financial assets	A31	(1,963)	-	(1,963)	-
Profit before taxation		646,893	544,122	646,893	544,122
Taxation	B5	(117,629)	(121,689)	(117,629)	(121,689)
Net profit for the financial period		529,264	422,433	529,264	422,433
<b>Attributable to:</b>					
Owners of the parent		529,264	422,433	529,264	422,433
Earnings per share - basic (sen)	B12(a)	25.9	20.7	25.9	20.7
Earnings per share - fully diluted (sen)	B12(b)	25.8	20.6	25.8	20.6

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

**Condensed Financial Statements**  
**Unaudited Statements of Comprehensive Income**  
**For The Financial Period Ended 30 September 2018**

	<b>The Bank</b>			
	<b>Current Quarter Ended 30/09/2018 RM'000</b>	<b>Corresponding Quarter Ended 30/09/2017 RM'000</b>	<b>Current Period Ended 30/09/2018 RM'000</b>	<b>Corresponding Period Ended 30/09/2017 RM'000</b>
Net profit for the financial period	<u>529,264</u>	<u>422,433</u>	<u>529,264</u>	<u>422,433</u>
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	23,266	(5,635)	23,266	(5,635)
Net fair value changes on financial investments at fair value through other comprehensive income	18,169	-	18,169	-
Net fair value changes on financial investments available-for-sale	-	21,710	-	21,710
Net fair value changes in cash flow hedge	(729)	(136)	(729)	(136)
Income tax relating to components of other comprehensive income	<u>(8,270)</u>	<u>(4,581)</u>	<u>(8,270)</u>	<u>(4,581)</u>
Other comprehensive income for the financial period, net of tax	<u>32,436</u>	<u>11,358</u>	<u>32,436</u>	<u>11,358</u>
Total comprehensive income for the financial period	<u><u>561,700</u></u>	<u><u>433,791</u></u>	<u><u>561,700</u></u>	<u><u>433,791</u></u>

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**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**

**Unaudited Statements of Changes in Equity For The Financial Period Ended 30 September 2018**

Attributable to owners of the parent

<b>The Group</b>	<b>Share Capital RM'000</b>	<b>Other Reserves RM'000</b>	<b>Regulatory Reserves * RM'000</b>	<b>Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	<b>Total RM'000</b>
<b>At 1 July 2018</b>	7,739,063	947,991	752,939	15,184,533	(732,267)	23,892,259
Effect of adopting MFRS 9 (Note A39)	-	(288,588)	(4,280)	68,074	-	(224,794)
As restated	<u>7,739,063</u>	<u>659,403</u>	<u>748,659</u>	<u>15,252,607</u>	<u>(732,267)</u>	<u>23,667,465</u>
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	706,915	-	706,915
- Share of other comprehensive income of associated company	-	(822)	-	-	-	(822)
- Net fair value changes in financial investments at fair value through other comprehensive income	-	21,424	-	-	-	21,424
- Net fair value changes in cash flow hedge	-	(631)	-	-	-	(631)
- Currency translation differences	-	(45,491)	-	-	-	(45,491)
Total comprehensive (loss)/income	<u>-</u>	<u>(25,520)</u>	<u>-</u>	<u>706,915</u>	<u>-</u>	<u>681,395</u>
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	8,359	(8,359)	-	-
Dividends paid	-	-	-	-	-	-
ESS exercised	-	-	-	-	-	-
Option charge arising from ESS granted	-	7,697	-	-	-	7,697
Total transactions with owners	<u>-</u>	<u>7,697</u>	<u>8,359</u>	<u>(8,359)</u>	<u>-</u>	<u>7,697</u>
<b>At 30 September 2018</b>	<b><u>7,739,063</u></b>	<b><u>641,580</u></b>	<b><u>757,018</u></b>	<b><u>15,951,163</u></b>	<b><u>(732,267)</u></b>	<b><u>24,356,557</u></b>
<b>At 1 July 2017</b>	7,739,063	1,441,246	678,483	13,560,582	(733,961)	22,685,413
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	638,968	-	638,968
- Share of other comprehensive income of associated company	-	525	-	-	-	525
- Net fair value changes in financial investments available-for-sale	-	15,656	-	-	-	15,656
- Net fair value changes in cash flow hedge	-	(103)	-	-	-	(103)
- Currency translation differences	-	(27,457)	-	-	-	(27,457)
Total comprehensive (loss)/income	<u>-</u>	<u>(11,379)</u>	<u>-</u>	<u>638,968</u>	<u>-</u>	<u>627,589</u>
<u>Transactions with owners</u>						
Transfer from regulatory reserve	-	-	(27,489)	27,489	-	-
Option charge arising from ESS granted	-	2,826	-	-	-	2,826
Total transactions with owners	<u>-</u>	<u>2,826</u>	<u>(27,489)</u>	<u>27,489</u>	<u>-</u>	<u>2,826</u>
<b>At 30 September 2017</b>	<b><u>7,739,063</u></b>	<b><u>1,432,693</u></b>	<b><u>650,994</u></b>	<b><u>14,227,039</u></b>	<b><u>(733,961)</u></b>	<b><u>23,315,828</u></b>

\* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM745,773,000 (30 September 2017: RM639,749,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 September 2017: RM11,245,000)

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**HONG LEONG BANK BERHAD**  
(97141-X)  
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**Condensed Financial Statements**  
**Unaudited Statements of Changes in Equity For The Financial Period Ended 30 September 2018**

Attributable to owners of the parent

<u>The Bank</u>	Share Capital RM'000	Other Reserves RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
<b>At 1 July 2018</b>	7,739,063	406,668	637,098	11,212,525	(732,267)	19,263,087
Effect of adopting MFRS 9 (Note A39)	-	(291,679)	(32,008)	106,054	-	(217,633)
As restated	<u>7,739,063</u>	<u>114,989</u>	<u>605,090</u>	<u>11,318,579</u>	<u>(732,267)</u>	<u>19,045,454</u>
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	529,264	-	529,264
- Net fair value changes in financial investments at fair value through other comprehensive income	-	9,801	-	-	-	9,801
- Net fair value changes in cash flow hedge	-	(631)	-	-	-	(631)
- Currency translation differences	-	23,266	-	-	-	23,266
Total comprehensive income	<u>-</u>	<u>32,436</u>	<u>-</u>	<u>529,264</u>	<u>-</u>	<u>561,700</u>
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	10,722	(10,722)	-	-
Dividends paid	-	-	-	-	-	-
ESS exercised	-	-	-	-	-	-
Option charge arising from ESS granted	-	7,697	-	-	-	7,697
Total transactions with owners	<u>-</u>	<u>7,697</u>	<u>10,722</u>	<u>(10,722)</u>	<u>-</u>	<u>7,697</u>
<b>At 30 September 2018</b>	<b><u>7,739,063</u></b>	<b><u>155,122</u></b>	<b><u>615,812</u></b>	<b><u>11,837,121</u></b>	<b><u>(732,267)</u></b>	<b><u>19,614,851</u></b>
<b>At 1 July 2017</b>	7,739,063	620,396	571,678	10,245,205	(733,961)	18,442,381
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	422,433	-	422,433
- Net fair value changes in financial investments available-for-sale	-	17,096	-	-	-	17,096
- Net fair value changes in cash flow hedge	-	(103)	-	-	-	(103)
- Currency translation differences	-	(5,635)	-	-	-	(5,635)
Total comprehensive income	<u>-</u>	<u>11,358</u>	<u>-</u>	<u>422,433</u>	<u>-</u>	<u>433,791</u>
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	(14,504)	14,504	-	-
Option charge arising from ESS granted	-	2,826	-	-	-	2,826
Total transactions with owners	<u>-</u>	<u>2,826</u>	<u>(14,504)</u>	<u>14,504</u>	<u>-</u>	<u>2,826</u>
<b>At 30 September 2017</b>	<b><u>7,739,063</u></b>	<b><u>634,580</u></b>	<b><u>557,174</u></b>	<b><u>10,682,142</u></b>	<b><u>(733,961)</u></b>	<b><u>18,878,998</u></b>

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**HONG LEONG BANK BERHAD**  
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**Condensed Financial Statements**  
**Unaudited Condensed Statements of Cash Flows**  
**For The Financial Period Ended 30 September 2018**

	The Group		The Bank	
	Financial Period Ended 30/09/2018 RM'000	Financial Period Ended 30/09/2017 RM'000	Financial Period Ended 30/09/2018 RM'000	Financial Period Ended 30/09/2017 RM'000
Profit before taxation	851,135	780,392	646,893	544,122
Adjustments for non-cash items	(146,417)	(353,676)	195,530	(242,457)
Operating profit before working capital changes	704,718	426,716	842,423	301,665
Changes in working capital:				
Net changes in operating assets	(1,372,944)	(1,230,274)	(535,079)	(63,224)
Net changes in operating liabilities	4,314,271	882,195	3,774,179	536,140
Income taxes and zakat paid	(152,907)	(121,844)	(130,917)	(106,065)
Net cash generated from/(used in) operating activities	<u>3,493,138</u>	<u>(43,207)</u>	<u>3,950,606</u>	<u>668,516</u>
<b>Cash flows from investing activities</b>				
Investment in subordinated facilities	-	-	(623)	-
Net purchases of financial investments available-for-sale	(1,165,043)	(4,158,044)	(1,113,882)	(4,216,750)
Net (purchases)/proceeds of financial investments held-to-maturity	(559,246)	224,587	(459,682)	309,496
Purchase of property and equipment	(39,757)	(31,576)	(37,468)	(30,687)
Net proceeds from sale of property and equipment	298	708	195	582
Purchase of intangible assets	(4,932)	(1,525)	(4,771)	(1,392)
Dividends received from:				
- Joint venture	-	3,563	-	3,563
- Financial investments available-for-sale	203	66,060	203	66,060
Net cash used in investing activities	<u>(1,768,477)</u>	<u>(3,896,227)</u>	<u>(1,616,028)</u>	<u>(3,869,128)</u>
<b>Cash flows from financing activities</b>				
Interest paid:				
- Subordinated obligations	(65)	(139)	(54)	(116)
- Multi-currency Additional Tier 1 capital securities	(33)	-	(33)	-
- Innovative Tier 1 capital securities	(20,550)	(19,948)	(20,550)	(19,948)
- Recourse obligation on loans sold to Cagamas	(3,791)	(3,788)	(3,791)	(3,788)
Net cash used in financing activities	<u>(24,439)</u>	<u>(23,875)</u>	<u>(24,428)</u>	<u>(23,852)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,700,222</b>	<b>(3,963,309)</b>	<b>2,310,150</b>	<b>(3,224,464)</b>
<b>Currency translation differences</b>	<b>31,795</b>	<b>(18,552)</b>	<b>20,402</b>	<b>(5,551)</b>
<b>Cash and cash equivalents at the beginning of financial period</b>	<b>3,963,309</b>	<b>10,388,873</b>	<b>3,282,694</b>	<b>9,578,350</b>
<b>Cash and cash equivalents at the end of financial period</b>	<b><u>5,695,326</u></b>	<b><u>6,407,012</u></b>	<b><u>5,613,246</u></b>	<b><u>6,348,335</u></b>



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**Condensed Financial Statements**  
**Unaudited Condensed Statements of Cash Flows**  
**For The Financial Period Ended 30 September 2018**

	The Group		The Bank	
	Financial Period Ended 30/09/2018 RM'000	Financial Period Ended 30/09/2017 RM'000	Financial Period Ended 30/09/2018 RM'000	Financial Period Ended 30/09/2017 RM'000
Cash and short-term funds	6,442,301	6,556,768	6,123,297	6,571,149
Deposits and placements with banks and other financial institutions	3,721,098	2,677,630	3,742,346	2,476,446
	<u>10,163,399</u>	<u>9,234,398</u>	<u>9,865,643</u>	<u>9,047,595</u>
Less:				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(4,468,073)	(2,827,386)	(4,252,397)	(2,699,260)
	<u>5,695,326</u>	<u>6,407,012</u>	<u>5,613,246</u>	<u>6,348,335</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018.*

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

**Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Issued by Bank Negara Malaysia ("BNM") on 2 February 2018**

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

**A1 Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 September 2018 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss ("FVTPL"), financial investments at fair value through other comprehensive income ("FVOCI") 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 2018. 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 2018.

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 2018, and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2018:

- (i) MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

With the effect from the financial year beginning on/after 1 July 2018, the Group and the Bank apply MFRS 9 'Financial Instruments', replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedging relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. Comparatives for 2018 will not be restated. The impact of adoption of MFRS 9 to the Group and the Bank are disclosed in Note A39.

The adoption of the above new standards and interpretation are not expected to have impact on the financial results of the Group and the Bank, except for the cumulative impact on the adoption of MFRS 9 which is recognised in the retained earnings as at 1 July 2018.

- (ii) Revised BNM Policy Document on Financial Reporting

On 2 February 2018, BNM issued the revised policy document on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The financial effects of the adoption of the revised policy documents are presented in Note A39.

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

**A1 Basis of preparation (continued)**

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 period. 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**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2018.

**A3 Seasonality or cyclicity of operations**

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

**A4 Exceptional items or unusual events affecting financial statements**

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

**A5 Variation from financial estimates reported in preceding financial**

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

**A6 Issuance and repayment of debt and equity securities**

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

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 30 September 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 period ended 30 September 2018, the trust did not purchase any new shares. As at 30 September 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.

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

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

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

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

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

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

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

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

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

During the financial period ended 30 September 2018, a total of 258,488 share options lapsed arising from the resignation of an option holders pursuant to the Bank's ESS.

**A7 Dividends paid**

There were no dividends paid during the financial period under review.

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

**A8 Financial assets at fair value through profit or loss ("FVTPL")**

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
Money market instruments:				
Bank Negara Malaysia bills	199,856	-	-	-
Government treasury bills	23	-	23	-
Malaysian Government securities	2,562,574	-	2,562,574	-
Malaysian Government investment certificates	871,202	-	648,045	-
Cagamas bonds	415,096	-	415,096	-
	4,048,751	-	3,625,738	-
Quoted securities:				
Wholesale fund/unit trust	7,608,759	-	7,608,759	-
Foreign currency bonds in Malaysia	1,933	-	1,933	-
Foreign currency bonds outside Malaysia	55,797	-	55,797	-
Unquoted securities:				
Malaysian Government sukuk	70,508	-	-	-
Corporate bonds and sukuk	243,651	-	243,651	-
Shares in Malaysia	434,035	-	434,035	-
Redeemable preference shares	30,866	-	30,866	-
Total financial assets at FVTPL	12,494,300	-	12,000,779	-

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

**A9 Financial assets held-for-trading**

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
Money market instruments:				
Malaysian Government securities	-	2,441,976	-	2,441,976
Malaysian Government investment certificates	-	786,622	-	635,595
Negotiable instruments of deposit	-	2,554,359	-	2,354,549
	-	5,782,957	-	5,432,120
Quoted securities:				
Foreign currency bonds in Malaysia	-	40,093	-	40,093
Foreign currency bonds outside Malaysia	-	68,847	-	68,847
Unquoted securities:				
Corporate bonds and sukuk	-	45,605	-	45,605
Foreign currency bonds outside Malaysia	-	32,370	-	32,370
Total financial assets held-for-trading	-	5,969,872	-	5,619,035

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

**A10 Financial investments at fair value through other comprehensive income ("FVOCI")**

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
Money market instruments:				
Malaysian Government securities	1,241,450	-	1,241,450	-
Malaysian Government investment certificates	7,021,928	-	5,047,431	-
Negotiable instruments of deposit	1,389,446	-	1,689,225	-
Other Government securities	685,811	-	607,858	-
Cagamas bonds	1,005,485	-	827,057	-
Khazanah bonds	398,471	-	389,857	-
	<u>11,742,591</u>	<u>-</u>	<u>9,802,878</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	2,551,082	-	2,527,660	-
Foreign currency bonds outside Malaysia	2,073,932	-	2,073,932	-
Unquoted securities:				
Malaysian Government sukuk	1,072,550	-	898,969	-
Corporate bonds and sukuk	7,155,287	-	6,301,055	-
Shares in Malaysia	32,534	-	32,534	-
Foreign currency bonds in Malaysia	1,045,508	-	1,045,508	-
Foreign currency bonds outside Malaysia	738,948	-	738,948	-
Total financial investments at FVOCI	<u>26,412,432</u>	<u>-</u>	<u>23,421,484</u>	<u>-</u>

Movements in allowance for impairment which reflect the expected credit loss ("ECL") model on impairment are as follows:

	<u>The Group</u> 30/09/2018 RM'000	<u>The Bank</u> 30/09/2018 RM'000
<b>12-Month ECL Stage 1</b>		
At 1 July	-	-
Effect of adopting MFRS 9	6,881	6,838
At 1 July, as restated	6,881	6,838
New financial assets originated or purchased	423	419
Financial assets derecognised	(277)	(277)
Changes due to change in credit risk	(452)	(441)
Exchange differences	40	40
At 30 September	<u>6,615</u>	<u>6,579</u>

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

**A11 Financial investments available-for-sale**

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
Money market instruments:				
Malaysian Government securities	-	109,684	-	109,684
Malaysian Government investment certificates	-	4,339,789	-	3,135,157
Other Government securities	-	657,700	-	592,486
Cagamas bonds	-	1,430,259	-	1,263,793
Khazanah bonds	-	673,444	-	638,603
	-	7,210,876	-	5,739,723
Quoted securities:				
Wholesale fund/unit trust	-	7,100,400	-	7,100,400
Foreign currency bonds in Malaysia	-	2,996,117	-	2,984,839
Foreign currency bonds outside Malaysia	-	1,660,272	-	1,660,272
Unquoted securities:				
Malaysian Government sukuk	-	2,385,470	-	2,024,205
Corporate bonds and sukuk	-	8,335,213	-	7,334,553
Shares in Malaysia	-	467,512	-	467,512
Foreign currency bonds in Malaysia	-	1,048,287	-	1,048,287
Foreign currency bonds outside Malaysia	-	658,789	-	658,789
Total financial investments available-for-sale	-	31,862,936	-	29,018,580



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

**A12 Financial investments at amortised cost**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Government treasury bills	54,545	-	54,545	-
Malaysian Government securities	800,108	-	800,108	-
Malaysian Government investment certificates	8,923,596	-	6,439,271	-
Khazanah bonds	295,772	-	260,422	-
Other Government securities	391,791	-	303,220	-
	<u>10,465,812</u>	<u>-</u>	<u>7,857,566</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	782,720	-	782,720	-
Unquoted securities:				
Malaysian Government sukuk	3,026,780	-	2,072,921	-
Corporate bonds and sukuk	1,981,646	-	1,589,640	-
Foreign currency bonds outside Malaysia	149,450	-	149,450	-
Total financial investments at amortised cost	<u>16,406,408</u>	<u>-</u>	<u>12,452,297</u>	<u>-</u>

Movements in allowance for impairment which reflect the ECL model on impairment are as follows:

	<b>The Group</b>	<b>The Bank</b>
	<b>30/09/2018</b>	<b>30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>12-Month ECL Stage 1</b>		
At 1 July	-	-
Effect of adopting MFRS 9	830	827
At 1 July, as restated	830	827
New financial assets originated or purchased	251	251
Changes due to change in credit risk	(1)	-
At 30 September	<u>1,080</u>	<u>1,078</u>

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

**A13 Financial investments held-to-maturity**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Government treasury bills	-	52,950	-	52,950
Malaysian Government securities	-	1,357,392	-	1,357,392
Malaysian Government investment certificates	-	10,914,275	-	8,083,221
Other Government securities	-	383,739	-	297,037
	<u>-</u>	<u>12,708,356</u>	<u>-</u>	<u>9,790,600</u>
Unquoted securities:				
Malaysian Government sukuk	-	1,548,339	-	935,715
Corporate bonds and sukuk	-	61,435	-	61,435
Redeemable preference shares	-	30,866	-	30,866
Foreign currency bonds outside Malaysia	-	87,949	-	87,949
	<u>-</u>	<u>1,728,589</u>	<u>-</u>	<u>1,115,965</u>
Total financial investments held-to-maturity	<u>-</u>	<u>14,436,945</u>	<u>-</u>	<u>10,906,565</u>

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

**A14 Loans, advances and financing**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	3,602,673	3,794,584	3,106,954	3,251,673
Term loans/financing:				
- Housing and shop loans/financing	71,528,152	70,332,643	57,591,053	56,771,907
- Syndicated/term loans or financing	10,395,732	9,953,665	8,216,487	7,902,161
- Hire purchase receivables	17,693,811	17,229,742	14,108,535	13,757,021
- Other term loans/financing	7,187,806	7,472,341	4,886,975	5,272,900
Credit/charge card receivables	3,693,299	3,899,183	3,693,299	3,899,183
Bills receivable	963,283	996,560	835,348	880,816
Trust receipts	386,862	328,628	283,267	283,561
Claims on customers under acceptance credits	7,544,944	7,839,208	6,977,923	7,301,016
Revolving credit	6,260,867	6,627,619	4,900,389	5,169,171
Staff loans/financing	142,503	146,027	137,989	141,341
Other loans/financing	434,983	448,360	434,979	448,356
Gross loans, advances and financing	<u>129,834,915</u>	<u>129,068,560</u>	<u>105,173,198</u>	<u>105,079,106</u>
Fair value changes arising from fair value hedges	(2,123)	(2,540)	(2,123)	(2,540)
Unamortised fair value changes arising from terminated fair value hedges	(11)	(13)	-	-
Allowance for impaired loans, advances and financing:				
- Stage 1 - 12 Months ECL	(422,619)	-	(368,447)	-
- Stage 2 - Lifetime ECL not credit impaired	(494,834)	-	(393,100)	-
- Stage 3 - Lifetime ECL credit impaired	(430,619)	-	(352,245)	-
- Collective assessment allowance	-	(804,726)	-	(621,694)
- Individual assessment allowance	-	(202,176)	-	(179,969)
Total net loans, advances and financing	<u>128,484,709</u>	<u>128,059,105</u>	<u>104,057,283</u>	<u>104,274,903</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM174,974,000 (2018: RM177,874,000) and RM174,974,000 (2018: RM177,874,000) respectively.

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

**A14 Loans, advances and financing** (continued)

A14a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic non-bank financial institutions	337,876	597,185	146,953	248,848
Domestic business enterprises:				
- small and medium enterprises	19,981,869	20,480,084	16,825,040	17,433,561
- others	16,362,031	16,377,193	13,129,479	13,226,492
Government and statutory bodies	13,533	19,374	2,028	7,803
Individuals	85,868,541	84,422,878	68,079,528	67,261,406
Other domestic entities	349,257	269,937	280,004	207,752
Foreign entities	6,921,808	6,901,909	6,710,166	6,693,244
Gross loans, advances and financing	<u>129,834,915</u>	<u>129,068,560</u>	<u>105,173,198</u>	<u>105,079,106</u>

A14b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed rate:				
- Housing and shop loans/financing	2,102,711	2,583,078	1,407,318	1,769,012
- Hire purchase receivables	17,410,292	16,916,260	13,826,130	13,444,246
- Other fixed rate loans/financing	6,470,907	6,676,788	4,995,653	5,280,238
Variable rate:				
- Base rate/base lending rate plus	86,964,536	86,079,824	71,492,399	71,114,897
- Cost plus	16,385,020	16,407,547	13,451,698	13,470,713
- Other variables rates	501,449	405,063	-	-
Gross loans, advances and financing	<u>129,834,915</u>	<u>129,068,560</u>	<u>105,173,198</u>	<u>105,079,106</u>

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

**A14 Loans, advances and financing** (continued)

A14c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	417,566	382,505	396,528	381,331
Purchase of transport vehicles	17,337,209	16,893,592	13,704,485	13,370,936
Purchase of landed properties				
- residential	62,633,228	61,370,372	49,806,578	48,915,309
- non-residential	15,591,828	15,553,253	13,884,189	13,925,835
Purchase of fixed assets (excluding landed properties)	714,191	546,924	568,670	482,511
Personal use	3,377,529	3,248,454	2,190,790	2,170,175
Credit card	3,693,299	3,899,183	3,693,299	3,899,183
Construction	1,542,315	1,552,918	987,667	1,024,050
Mergers and acquisition	357,241	362,600	170,634	179,269
Working capital	22,808,822	23,850,860	18,836,335	19,761,563
Other purpose	1,361,687	1,407,899	934,023	968,944
Gross loans, advances and financing	<u>129,834,915</u>	<u>129,068,560</u>	<u>105,173,198</u>	<u>105,079,106</u>

A14d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	122,999,953	122,542,932	99,924,472	99,981,335
Singapore	5,248,726	5,097,771	5,248,726	5,097,771
Vietnam	501,449	405,063	-	-
Cambodia	1,084,787	1,022,794	-	-
Gross loans, advances and financing	<u>129,834,915</u>	<u>129,068,560</u>	<u>105,173,198</u>	<u>105,079,106</u>

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

**A14 Loans, advances and financing** (continued)

A14e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	25,269,351	26,653,901	22,444,000	23,793,306
One year to less than three years	6,088,079	6,007,978	4,983,554	4,929,344
Three years to less than five years	9,431,749	9,069,429	7,279,354	6,997,601
Five years and more	89,045,736	87,337,252	70,466,290	69,358,855
Gross loans, advances and financing	<u>129,834,915</u>	<u>129,068,560</u>	<u>105,173,198</u>	<u>105,079,106</u>

A14f Credit impaired/Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	1,080	1,256	1,080	1,256
Purchase of transport vehicles	136,419	134,022	104,118	101,223
Purchase of landed properties				
- residential	337,573	352,900	247,660	253,976
- non-residential	171,836	170,961	163,956	165,421
Purchase of fixed assets (excluding landed properties)	2,447	3,465	2,447	3,465
Personal use	40,653	46,682	25,117	29,519
Credit card	37,641	39,562	37,641	39,562
Construction	5,042	3,530	4,477	2,963
Working capital	311,104	369,990	285,101	306,284
Other purpose	6,264	3,134	5,818	2,564
Gross impaired loans, advances and financing	<u>1,050,059</u>	<u>1,125,502</u>	<u>877,415</u>	<u>906,233</u>

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

**A14 Loans, advances and financing** (continued)

A14g Credit impaired/Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,042,175	1,112,810	875,948	904,839
Singapore	1,467	1,394	1,467	1,394
Vietnam	3,633	3,937	-	-
Cambodia	2,784	7,361	-	-
Gross impaired loans, advances and financing	<u>1,050,059</u>	<u>1,125,502</u>	<u>877,415</u>	<u>906,233</u>

A14h Movements in credit impaired/impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	1,125,502	1,203,440	906,233	1,017,982
Classified as impaired during the financial year	392,632	1,663,447	294,514	1,278,452
Reclassified as non-impaired during the financial year	(222,932)	(889,043)	(162,360)	(652,719)
Amount written back in respect of recoveries	(168,953)	(387,313)	(99,626)	(329,643)
Amount written off	(77,581)	(460,834)	(62,801)	(404,026)
Exchange difference	1,391	(4,195)	1,455	(3,813)
At 30 September	<u>1,050,059</u>	<u>1,125,502</u>	<u>877,415</u>	<u>906,233</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.8%</u>	<u>0.9%</u>	<u>0.8%</u>	<u>0.9%</u>

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

**A14 Loans, advances and financing** (continued)

A14i Movements in the allowance for impairment on loans, advances and financing are as follows:

<b>The Group</b> <b>At 30 September 2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL</b> <b>RM'000</b>
	<b>12 Months</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
	<b>ECL</b>	<b>not credit</b>	<b>credit</b>	
	<b>RM'000</b>	<b>impaired</b>	<b>impaired</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July				1,006,902
Effect of adopting MFRS 9				365,155
At 1 July, as restated	420,300	492,612	459,145	1,372,057
Changes in ECL due to transfer within stages	(26,461)	(36,045)	62,506	-
Transfer to Stage 1	5,498	(5,459)	(39)	-
Transfer to Stage 2	(31,948)	56,723	(24,775)	-
Transfer to Stage 3	(11)	(87,309)	87,320	-
New financial assets originated	16,389	858	38	17,285
Financial assets derecognised	(9,117)	(9,252)	(12,237)	(30,606)
Changes due to change in credit risk	21,151	46,462	19,506	87,119
Modifications to contractual cash flows				
of financial asset	-	-	1,825	1,825
Amount written off	-	-	(69,890)	(69,890)
Exchange difference	357	200	1,445	2,002
Other movements	-	(1)	(31,719)	(31,720)
At 30 September	<u>422,619</u>	<u>494,834</u>	<u>430,619</u>	<u>1,348,072</u>

<b>The Bank</b> <b>At 30 September 2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL</b> <b>RM'000</b>
	<b>12 Months</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
	<b>ECL</b>	<b>not credit</b>	<b>credit</b>	
	<b>RM'000</b>	<b>impaired</b>	<b>impaired</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July				801,663
Effect of adopting MFRS 9				336,270
At 1 July, as restated	369,436	392,940	375,557	1,137,933
Changes in ECL due to transfer within stages	(22,617)	(30,143)	52,760	-
Transfer to Stage 1	5,033	(4,996)	(37)	-
Transfer to Stage 2	(27,639)	45,200	(17,561)	-
Transfer to Stage 3	(11)	(70,347)	70,358	-
New financial assets originated	6,659	682	-	7,341
Financial assets derecognised	(3,212)	(6,302)	(6,781)	(16,295)
Changes due to change in credit risk	17,971	35,727	10,846	64,544
Modifications to contractual cash flows				
of financial asset	-	-	1,209	1,209
Amount written off	-	-	(55,573)	(55,573)
Exchange difference	210	197	1,436	1,843
Other movements	-	(1)	(27,209)	(27,210)
At 30 September	<u>368,447</u>	<u>393,100</u>	<u>352,245</u>	<u>1,113,792</u>



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

A14i Movements in the allowance for impairment on loans, advances and financing are as follows (continued):

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</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	804,726	830,067	621,694	666,787
Effect of adopting MFRS 9	(804,726)	-	(621,694)	-
At 1 July, as restated	-	830,067	-	666,787
Net allowances made during the financial period/year	-	299,887	-	224,340
Amount written off	-	(310,061)	-	(257,615)
Unwinding income	-	(14,475)	-	(11,488)
Exchange difference	-	(692)	-	(330)
At 30 September	-	804,726	-	621,694
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>Individual Assessment Allowance</u>				
At 1 July	202,176	325,426	179,969	310,923
Effect of adopting MFRS 9	(202,176)	-	(179,969)	-
At 1 July, as restated	-	325,426	-	310,923
Allowances made during the financial period/year	-	63,397	-	50,952
Amount written back in respect of recoveries	-	(55,505)	-	(52,077)
Amount written off	-	(119,266)	-	(118,014)
Unwinding income	-	(7,959)	-	(7,951)
Exchange difference	-	(3,917)	-	(3,864)
At 30 September	-	202,176	-	179,969

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

**A15 Other assets**

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
Foreclosed properties	10,870	46	46	46
Sundry debtors and other prepayments	206,317	204,716	200,671	162,716
Treasury related receivables	641,579	65,547	641,579	65,547
Cash collateral pledged for derivative transactions	340,928	310,933	340,928	310,933
Other receivables	91,615	198,827	79,597	147,454
	<u>1,291,309</u>	<u>780,069</u>	<u>1,262,821</u>	<u>686,696</u>

**A16 Investment in associated companies**

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
<u>Retained portion</u>				
Quoted shares outside Malaysia, at cost	938,311	938,311	946,505	946,505
Unquoted shares in Malaysia, at cost	20	20	20	20
Unquoted shares outside Malaysia, at cost	24,657	-	24,657	-
Cumulative share of results, net of dividends received	2,397,500	2,225,589	-	-
Cumulative share of changes in other comprehensive income	1,832	(250)	-	-
Exchange fluctuation reserve	426,993	487,421	-	-
	<u>3,789,313</u>	<u>3,651,091</u>	<u>971,182</u>	<u>946,525</u>

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

On 31 January 2018, 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%.

Included in the investment in associated companies are the reclassification of the retained interest of 12% from investment in joint venture under the Group of RM57,345,000 and the Bank of RM24,657,000 respectively.

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

**A17 Investment in joint venture**

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
<u>Retained portion</u>				
Unquoted shares outside Malaysia, at cost	-	24,657	-	24,657
Cumulative share of results, net of dividends received	-	26,342	-	-
Exchange fluctuation reserve	-	6,674	-	-
	-	57,673	-	24,657
Equity interest held for sale	-	121,753	-	52,054
	-	179,426	-	76,711

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 sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018.

Post completion of the divestment exercise, the retained interest of 12% under the Group of RM57,345,000 and the Bank of RM24,657,000 respectively are derecognised from its investment in joint venture and classified as investment in associated companies.

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

**A18 Deposits from customers**

A18a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Amortised cost</b>				
Fixed deposits	89,313,621	88,222,375	71,287,469	71,745,421
Negotiable instruments of deposits	7,823,322	6,892,073	6,325,353	5,394,717
Short-term placements	17,735,846	16,950,886	16,487,491	14,687,624
	<u>114,872,789</u>	<u>112,065,334</u>	<u>94,100,313</u>	<u>91,827,762</u>
Demand deposits	22,420,124	23,638,473	19,573,206	20,232,702
Saving deposits	17,235,680	17,563,850	14,349,269	14,657,220
Others	944,152	979,288	804,898	847,170
	<u>155,472,745</u>	<u>154,246,945</u>	<u>128,827,686</u>	<u>127,564,854</u>
<b>At fair value through profit and loss</b>				
Structured deposits linked to interest rate derivatives	3,489,205	3,334,428	2,287,419	2,132,691
Fair value changes arising from designation at fair value through profit or loss *	(140,549)	(167,278)	(98,146)	(114,120)
	<u>3,348,656</u>	<u>3,167,150</u>	<u>2,189,273</u>	<u>2,018,571</u>
	<u>158,821,401</u>	<u>157,414,095</u>	<u>131,016,959</u>	<u>129,583,425</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 9 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.

A18b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Government and statutory bodies	5,885,244	3,977,104	4,703,109	2,016,899
Business enterprises	64,642,801	62,744,665	49,920,921	48,300,831
Individuals	85,732,042	88,159,470	74,197,346	77,108,346
Others	2,561,314	2,532,856	2,195,583	2,157,349
	<u>158,821,401</u>	<u>157,414,095</u>	<u>131,016,959</u>	<u>129,583,425</u>

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

**A18 Deposits from customers** (continued)

A18c 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>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Due within six months	90,118,811	83,581,278	73,712,656	67,728,986
More than six months to one year	22,682,957	26,159,087	18,463,681	21,998,104
More than one year to five years	2,071,021	2,324,969	1,923,976	2,100,672
	<u>114,872,789</u>	<u>112,065,334</u>	<u>94,100,313</u>	<u>91,827,762</u>

**A19 Deposits and placements of banks and other financial institutions**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Licensed banks	8,792,188	7,084,745	8,265,030	7,095,827
Licensed investment banks	137,751	150,027	137,751	150,027
Other financial institutions	36,693	2,662	34,989	-
	<u>8,966,632</u>	<u>7,237,434</u>	<u>8,437,770</u>	<u>7,245,854</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short-term)	<u>8,966,632</u>	<u>7,237,434</u>	<u>8,437,770</u>	<u>7,245,854</u>

**A20 Other liabilities**

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Zakat	437	350	-	-
Post employment benefits obligation - defined contribution plan	298	297	298	297
Loan advance payment	3,268,666	3,229,766	2,616,015	2,586,339
Treasury and cheque clearing	144,362	50,106	57,778	50,106
Treasury related payables	122,620	231,223	122,620	231,223
Sundry creditors and accruals	304,693	531,979	265,541	494,991
Provision for bonus and staff related expenses	221,792	176,617	211,993	168,984
Others	487,183	499,108	431,204	400,229
	<u>4,550,051</u>	<u>4,719,446</u>	<u>3,705,449</u>	<u>3,932,169</u>

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

**A21 Tier 2 subordinated bonds**

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30/09/2018</u>	<u>30/06/2018</u>	<u>30/09/2018</u>	<u>30/06/2018</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,678	1,664	18,678	1,664
		<u>1,518,678</u>	<u>1,501,664</u>	<u>1,518,678</u>	<u>1,501,664</u>
Less: Unamortised discounts		(64)	(91)	(64)	(91)
		<u>1,518,614</u>	<u>1,501,573</u>	<u>1,518,614</u>	<u>1,501,573</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	400,000	400,000	-	-
Add: Profit payable		5,523	684	-	-
		<u>405,523</u>	<u>400,684</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(43)	(54)	-	-
		<u>405,480</u>	<u>400,630</u>	<u>-</u>	<u>-</u>
RM1.0 billion Tier 2 subordinated notes, at par	(c)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		12,968	794	12,968	794
		<u>1,012,968</u>	<u>1,000,794</u>	<u>1,012,968</u>	<u>1,000,794</u>
Less: Unamortised discounts		(62)	(89)	(62)	(89)
		<u>1,012,906</u>	<u>1,000,705</u>	<u>1,012,906</u>	<u>1,000,705</u>
		<u>2,937,000</u>	<u>2,902,908</u>	<u>2,531,520</u>	<u>2,502,278</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.

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

**A21 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.

**A22 Multi-currency Additional Tier 1 capital securities**

	<u><b>The Bank</b></u>	
	<u><b>30/09/2018</b></u>	<u><b>30/06/2018</b></u>
	<u><b>RM'000</b></u>	<u><b>RM'000</b></u>
RM400 million Multi-currency Additional Tier-1 capital securities at par	400,000	400,000
Add: Interest payable	6,971	1,799
	<u>406,971</u>	<u>401,799</u>
Less: Unamortised discounts	(575)	(607)
	<u>406,396</u>	<u>401,192</u>

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.

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

**A23 Innovative Tier 1 capital securities**

	<b><u>The Group and The Bank</u></b>	
	<b><u>30/09/2018</u></b>	<b><u>30/06/2018</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	2,147	12,545
	<u>502,147</u>	<u>512,545</u>
Less: Unamortised discounts	(1,897)	(2,439)
Fair value adjustments on completion of business combination accounting	1,460	2,246
	<u><u>501,710</u></u>	<u><u>512,352</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.



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

**A24 Interest income**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Loan, advances and financing	1,200,606	1,160,469	1,200,606	1,160,469
Money at call and deposit placements with financial institutions	60,256	45,010	60,256	45,010
Securities purchased under resale agreements	-	948	-	948
Financial assets at FVTPL	95,553	-	95,553	-
Financial assets held-for-trading	-	94,750	-	94,750
Financial investments at FVOCI	199,149	-	199,149	-
Financial investments available-for-sale	-	174,291	-	174,291
Financial investments at amortised cost	110,910	-	110,910	-
Financial investments held-to-maturity	-	95,805	-	95,805
Others	876	931	876	931
	<u>1,667,350</u>	<u>1,572,204</u>	<u>1,667,350</u>	<u>1,572,204</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>5,492</u>	<u>14,058</u>	<u>5,492</u>	<u>14,058</u>
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	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Loan, advances and financing	1,176,397	1,141,001	1,176,397	1,141,001
Money at call and deposit placements with financial institutions	60,900	44,918	60,900	44,918
Securities purchased under resale agreements	-	948	-	948
Financial assets at FVTPL	95,553	-	95,553	-
Financial assets held-for-trading	-	94,832	-	94,832
Financial investments at FVOCI	198,392	-	198,392	-
Financial investments available-for-sale	-	173,200	-	173,200
Financial investments at amortised cost	109,740	-	109,740	-
Financial investments held-to-maturity	-	94,544	-	94,544
Others	784	854	784	854
	<u>1,641,766</u>	<u>1,550,297</u>	<u>1,641,766</u>	<u>1,550,297</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>5,492</u>	<u>14,058</u>	<u>5,492</u>	<u>14,058</u>
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**HONG LEONG BANK BERHAD**  
**(97141-X)**  
**(Incorporated in Malaysia)**

**A25 Interest expense**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	67,867	32,120	67,867	32,120
Deposits from customers	745,314	676,467	745,314	676,467
Short-term placements	109,450	88,557	109,450	88,557
Tier 2 subordinated bonds	29,242	23,179	29,242	23,179
Multi-currency Additional Tier-1 capital securities	5,164	-	5,164	-
Innovative Tier 1 capital securities	10,152	9,439	10,152	9,439
Recourse obligation on loans sold to Cagamas	1,916	1,916	1,916	1,916
	<u>969,105</u>	<u>831,678</u>	<u>969,105</u>	<u>831,678</u>

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	71,640	34,639	71,640	34,639
Deposits from customers	734,111	664,735	734,111	664,735
Short-term placements	109,450	88,557	109,450	88,557
Tier 2 subordinated bonds	29,242	23,179	29,242	23,179
Multi-currency Additional Tier-1 capital securities	5,205	-	5,205	-
Innovative Tier 1 capital securities	10,152	9,439	10,152	9,439
Recourse obligation on loans sold to Cagamas	1,916	1,916	1,916	1,916
	<u>961,716</u>	<u>822,465</u>	<u>961,716</u>	<u>822,465</u>

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

**A26 Net income from Islamic Banking business**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	354,294	306,150	354,294	306,150
of which Finance income	348,500	300,563	348,500	300,563
of which other operating income	5,794	5,587	5,794	5,587
Income derived from investment of shareholders' funds	41,507	35,171	41,507	35,171
of which Finance income	30,303	26,136	30,303	26,136
of which other operating income	11,204	9,035	11,204	9,035
Income attributable to depositors	(224,725)	(181,511)	(224,725)	(181,511)
	171,076	159,810	171,076	159,810

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

**A27 Other operating income**

<u>Group</u>	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	45,711	44,399	45,711	44,399
Service charges and fees	10,689	12,597	10,689	12,597
Guarantee fees	3,114	2,818	3,114	2,818
Credit card related fees	55,155	55,429	55,155	55,429
Corporate advisory fees	55	267	55	267
Commitment fees	8,148	8,588	8,148	8,588
Fee on loans, advances and financing	9,125	8,982	9,125	8,982
Other fee income	5,677	6,933	5,677	6,933
	<u>137,674</u>	<u>140,013</u>	<u>137,674</u>	<u>140,013</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	36,475	-	36,475	-
Net gain from sale of financial assets held-for-trading	-	11,045	-	11,045
Net gain/(loss) from sale of derivative financial instruments	9,597	(5,077)	9,597	(5,077)
Net gain from sale of financial investments at FVOCI	14,095	-	14,095	-
Net gain from sale of financial investments available-for-sale	-	40,672	-	40,672
	<u>60,167</u>	<u>46,640</u>	<u>60,167</u>	<u>46,640</u>
(c) <u>Gross dividend income from:</u>				
Financial assets at FVTPL	66,328	-	66,328	-
Financial investments at FVOCI	203	-	203	-
Financial investments available-for-sale	-	66,060	-	66,060
	<u>66,531</u>	<u>66,060</u>	<u>66,531</u>	<u>66,060</u>

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

**A27 Other operating income** (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets at FVTPL	15,463	-	15,463	-
- Financial assets held-for-trading	-	(2,215)	-	(2,215)
- Derivatives financial instruments	(14,604)	10,115	(14,604)	10,115
	<u>859</u>	<u>7,900</u>	<u>859</u>	<u>7,900</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(92)</u>	<u>(174)</u>	<u>(92)</u>	<u>(174)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(38)</u>	<u>(1)</u>	<u>(38)</u>	<u>(1)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	35,278	11,898	35,278	11,898
Rental income	2,494	1,665	2,494	1,665
Gain on disposal of property and equipment	177	455	177	455
Net gain on divestment of joint venture	72,242	-	72,242	-
Other non-operating income	4,412	3,838	4,412	3,838
	<u>114,603</u>	<u>17,856</u>	<u>114,603</u>	<u>17,856</u>
Total other operating income	<u>379,704</u>	<u>278,294</u>	<u>379,704</u>	<u>278,294</u>

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

**A27 Other operating income** (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<b>(a) <u>Fee income:</u></b>				
Commissions	45,037	43,609	45,037	43,609
Service charges and fees	10,404	12,473	10,404	12,473
Guarantee fees	3,086	2,790	3,086	2,790
Credit card related fees	55,155	55,429	55,155	55,429
Corporate advisory fees	55	267	55	267
Commitment fees	7,935	8,420	7,935	8,420
Fee on loans, advances and financing	8,153	8,045	8,153	8,045
Other fee income	5,615	6,891	5,615	6,891
	<u>135,440</u>	<u>137,924</u>	<u>135,440</u>	<u>137,924</u>
<b>(b) <u>Gain arising from sale of financial assets:</u></b>				
Net gain from sale of financial assets at FVTPL	36,475	-	36,475	-
Net gain from sale of financial assets held-for-trading	-	11,045	-	11,045
Net gain/(loss) from sale of derivative financial instruments	9,597	(5,077)	9,597	(5,077)
Net gain from sale of financial investments at FVOCI	14,095	-	14,095	-
Net gain from sale of financial investments available-for-sale	-	40,453	-	40,453
	<u>60,167</u>	<u>46,421</u>	<u>60,167</u>	<u>46,421</u>
<b>(c) <u>Gross dividend income from:</u></b>				
Investment in joint venture	-	4,882	-	4,882
Financial assets at FVTPL	66,328	-	66,328	-
Financial investments at FVOCI	203	-	203	-
Financial investments available-for-sale	-	66,060	-	66,060
	<u>66,531</u>	<u>70,942</u>	<u>66,531</u>	<u>70,942</u>

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

**A27 Other operating income** (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets at FVTPL	15,463	-	15,463	-
- Financial assets held-for-trading	-	(2,215)	-	(2,215)
- Derivatives financial instruments	(14,604)	10,115	(14,604)	10,115
	<u>859</u>	<u>7,900</u>	<u>859</u>	<u>7,900</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(92)</u>	<u>(174)</u>	<u>(92)</u>	<u>(174)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(38)</u>	<u>(1)</u>	<u>(38)</u>	<u>(1)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	34,798	11,702	34,798	11,702
Rental income	1,562	1,665	1,562	1,665
Gain on disposal of property and equipment	177	455	177	455
Net gain on divestment of joint venture	129,155	-	129,155	-
Other non-operating income	4,264	3,719	4,264	3,719
	<u>169,956</u>	<u>17,541</u>	<u>169,956</u>	<u>17,541</u>
Total other operating income	<u>432,823</u>	<u>280,553</u>	<u>432,823</u>	<u>280,553</u>

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

**A28 Other operating expenses**

<u>Group</u>	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	268,515	251,816	268,515	251,816
- Medical expenses	4,595	7,440	4,595	7,440
- Training and convention expenses	6,963	5,714	6,963	5,714
- Staff welfare	2,197	1,713	2,197	1,713
- Others	11,067	6,287	11,067	6,287
	<u>293,337</u>	<u>272,970</u>	<u>293,337</u>	<u>272,970</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	32,373	26,108	32,373	26,108
- Amortisation of intangible assets	13,471	18,939	13,471	18,939
- Rental of premises	15,383	19,876	15,383	19,876
- Information technology expenses	40,616	39,941	40,616	39,941
- Security services	7,176	8,023	7,176	8,023
- Electricity, water and sewerage	6,085	6,806	6,085	6,806
- Hire of plant and machinery	3,044	3,204	3,044	3,204
- Others	10,099	8,554	10,099	8,554
	<u>128,247</u>	<u>131,451</u>	<u>128,247</u>	<u>131,451</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	5,199	9,184	5,199	9,184
- Credit card related fees	31,810	25,317	31,810	25,317
- Others	4,568	3,540	4,568	3,540
	<u>41,577</u>	<u>38,041</u>	<u>41,577</u>	<u>38,041</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,954	4,049	3,954	4,049
- Stationery and printing expenses	3,545	3,241	3,545	3,241
- Professional fees	21,581	23,487	21,581	23,487
- Insurance fees	10,138	10,034	10,138	10,034
- Stamp, postage and courier	2,918	4,129	2,918	4,129
- Travelling and transport expenses	1,145	917	1,145	917
- Registration and license fees	2,246	2,288	2,246	2,288
- Brokerage and commission	1,868	1,457	1,868	1,457
- Credit card fees	10,517	9,565	10,517	9,565
- Others	4,089	5,516	4,089	5,516
	<u>62,001</u>	<u>64,683</u>	<u>62,001</u>	<u>64,683</u>
	<u>525,162</u>	<u>507,145</u>	<u>525,162</u>	<u>507,145</u>



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

**A28 Other operating expenses (continued)**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	222,793	209,551	222,793	209,551
- Medical expenses	3,653	6,476	3,653	6,476
- Training and convention expenses	5,950	4,852	5,950	4,852
- Staff welfare	1,899	1,431	1,899	1,431
- Others	9,098	4,903	9,098	4,903
	<u>243,393</u>	<u>227,213</u>	<u>243,393</u>	<u>227,213</u>
<b><u>Establishment costs</u></b>				
- Depreciation of property and equipment	27,916	24,397	27,916	24,397
- Amortisation of intangible assets	12,410	17,897	12,410	17,897
- Rental of premises	19,355	21,331	19,355	21,331
- Information technology expenses	37,355	37,042	37,355	37,042
- Security services	5,668	6,461	5,668	6,461
- Electricity, water and sewerage	5,064	5,426	5,064	5,426
- Hire of plant and machinery	2,883	3,041	2,883	3,041
- Others	4,771	5,852	4,771	5,852
	<u>115,422</u>	<u>121,447</u>	<u>115,422</u>	<u>121,447</u>
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	3,904	8,594	3,904	8,594
- Credit card related fees	31,810	25,317	31,810	25,317
- Others	3,633	2,974	3,633	2,974
	<u>39,347</u>	<u>36,885</u>	<u>39,347</u>	<u>36,885</u>
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	3,881	3,963	3,881	3,963
- Stationery and printing expenses	3,331	2,971	3,331	2,971
- Professional fees	21,458	22,747	21,458	22,747
- Insurance fees	8,871	8,787	8,871	8,787
- Stamp, postage and courier	2,859	4,052	2,859	4,052
- Travelling and transport expenses	900	679	900	679
- Registration and license fees	2,005	2,037	2,005	2,037
- Brokerage and commission	1,040	711	1,040	711
- Credit card fees	10,517	9,565	10,517	9,565
- Others	4,300	4,944	4,300	4,944
	<u>59,162</u>	<u>60,456</u>	<u>59,162</u>	<u>60,456</u>
	<u>457,324</u>	<u>446,001</u>	<u>457,324</u>	<u>446,001</u>

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

**A29 Allowance for impairment losses on loans, advances and financing**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Allowance for impairment on loans, advances and financing:				
- expected credit losses on loans, advances and financing	75,623	-	75,623	-
- collective assessment allowance	-	92,949	-	92,949
- individual assessment allowance	-	1,521	-	1,521
Credit impaired/impaird loans, advances and financing:				
- written off	4,430	5,291	4,430	5,291
- recovered from bad debt written off	(61,286)	(56,348)	(61,286)	(56,348)
	<u>18,767</u>	<u>43,413</u>	<u>18,767</u>	<u>43,413</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance for/(write back of) impairment losses on loans, advances and financing:				
- expected credit losses on loans, advances and financing	56,799	-	56,799	-
- collective assessment allowance	-	69,321	-	69,321
- individual assessment allowance	-	(4,971)	-	(4,971)
Credit impaired/impaird loans, advances and financing:				
- written off	3,770	4,436	3,770	4,436
- recovered from bad debt written off	(53,828)	(50,523)	(53,828)	(50,523)
	<u>6,741</u>	<u>18,263</u>	<u>6,741</u>	<u>18,263</u>

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

**A30 Write back of impairment losses on financial investments**

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Expected credit losses on:				
- Financial investments at FVOCI	(306)	-	(306)	-
- Financial investments at amortised cost	250	-	250	-
Financial investments held-to-maturity				
- Amount written back in respect of recoveries	-	(1)	-	(1)
	<u>(56)</u>	<u>(1)</u>	<u>(56)</u>	<u>(1)</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Expected credit losses on:				
- Financial investments at FVOCI	(299)	-	(299)	-
- Financial investments at amortised cost	251	-	251	-
Financial investments held-to-maturity				
- Amount written back in respect of recoveries	-	(1)	-	(1)
	<u>(48)</u>	<u>(1)</u>	<u>(48)</u>	<u>(1)</u>

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

**A31 Allowance for impairment losses on other financial assets**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
Expected credit losses on:				
- Cash and short-term funds	802	-	802	-
- Deposits and placements with banks and other financial institutions	86	-	86	-
	<u>888</u>	<u>-</u>	<u>888</u>	<u>-</u>
	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
Expected credit losses on:				
- Cash and short-term funds	545	-	545	-
- Deposits and placements with banks and other financial institutions	1,418	-	1,418	-
	<u>1,963</u>	<u>-</u>	<u>1,963</u>	<u>-</u>

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

**A32 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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>Financial Period Ended 30/09/2018</b>	<b>Financial Year Ended 30/06/2018</b>	<b>Financial Period Ended 30/09/2018</b>	<b>Financial Year Ended 30/06/2018</b>
<b>Before deducting proposed dividends</b>				
CET I capital ratio	12.934%	13.113%	12.464%	12.545%
Tier I capital ratio	13.613%	13.797%	12.913%	12.997%
Total capital ratio	<u>16.644%</u>	<u>16.752%</u>	<u>16.299%</u>	<u>16.301%</u>
<b>After deducting proposed dividends</b>				
CET I capital ratio	12.439%	12.614%	11.873%	11.949%
Tier I capital ratio	13.118%	13.298%	12.322%	12.401%
Total capital ratio	<u>16.149%</u>	<u>16.253%</u>	<u>15.708%</u>	<u>15.706%</u>

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

**A32 Capital adequacy (continued)**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>Financial Period Ended 30/09/2018 RM'000</b>	<b>Financial Year Ended 30/06/2018 RM'000</b>	<b>Financial Period Ended 30/09/2018 RM'000</b>	<b>Financial Year Ended 30/06/2018 RM'000</b>
<b>CET I capital</b>				
Share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	15,244,247	15,184,533	11,307,855	11,212,525
Other reserves	652,624	868,134	154,921	298,837
Less: Treasury shares	(732,267)	(732,267)	(732,267)	(732,267)
Less: Deferred tax assets	(28,547)	(53,067)	(27,660)	(47,908)
Less: Other intangible assets	(145,420)	(152,541)	(129,513)	(137,166)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(3,789,313)	(3,830,517)	(2,727,139)	(2,778,569)
<b>Total CET I capital</b>	<b>17,109,075</b>	<b>17,192,026</b>	<b>13,813,713</b>	<b>13,782,968</b>
<b>Additional Tier I capital</b>				
Multi-currency Additional Tier-1 capital securities	399,425	399,393	399,425	399,393
Innovative Tier I capital securities	498,103	497,562	498,103	497,562
<b>Additional Tier I capital before regulatory adjustments</b>	<b>897,528</b>	<b>896,955</b>	<b>897,528</b>	<b>896,955</b>
Less : Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
<b>Additional Tier I capital after regulatory adjustments</b>	<b>897,528</b>	<b>896,955</b>	<b>497,528</b>	<b>496,955</b>
<b>Total Tier I capital</b>	<b>18,006,603</b>	<b>18,088,981</b>	<b>14,311,241</b>	<b>14,279,923</b>
<b>Tier II capital</b>				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves <sup>#</sup>	1,509,358	-	1,252,858	-
Collective assessment allowance <sup>^</sup> and regulatory reserves <sup>#</sup>	-	1,375,082	-	1,130,670
Subordinated bonds	2,499,873	2,499,820	2,499,873	2,499,820
<b>Tier II capital before regulatory adjustments</b>	<b>4,009,231</b>	<b>3,874,902</b>	<b>3,752,731</b>	<b>3,630,490</b>
Less : Investment in subsidiary companies/ associated company/joint venture	-	-	-	-
<b>Total Tier II capital</b>	<b>4,009,231</b>	<b>3,874,902</b>	<b>3,752,731</b>	<b>3,630,490</b>
<b>Total capital</b>	<b>22,015,834</b>	<b>21,963,883</b>	<b>18,063,972</b>	<b>17,910,413</b>

<sup>#</sup> Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM745,773,000 (2018: RM741,694,000) and RM615,812,000 (2018: RM637,098,000) respectively.

<sup>^</sup> Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

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

**A32 Capital adequacy (continued)**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>Financial Period Ended 30/09/2018 RM'000</b>	<b>Financial Year Ended 30/06/2018 RM'000</b>	<b>Financial Period Ended 30/09/2018 RM'000</b>	<b>Financial Year Ended 30/06/2018 RM'000</b>
Credit risk	120,748,661	118,853,998	100,228,636	98,504,099
Market risk	3,057,145	3,850,444	3,350,682	4,140,291
Operational risk	8,470,166	8,403,939	7,252,474	7,226,134
<b>Total RWA</b>	<b>132,275,972</b>	<b>131,108,381</b>	<b>110,831,792</b>	<b>109,870,524</b>

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

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>Financial Period Ended 30/09/2018</b>	<b>Financial Year Ended 30/06/2018</b>
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.335%	10.461%
Tier I capital ratio	12.268%	12.404%
<b>Total capital ratio</b>	<b>15.346%</b>	<b>15.477%</b>
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.335%	10.461%
Tier I capital ratio	12.268%	12.404%
<b>Total capital ratio</b>	<b>15.346%</b>	<b>15.477%</b>

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

**A33 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 30/09/2018**

	<b>Personal Financial Services RM'000</b>	<b>Business &amp; Corporate Banking RM'000</b>	<b>Global Markets RM'000</b>	<b>Overseas/ International Operations RM'000</b>	<b>Other Operations RM'000</b>	<b>Inter- Segment Elimination RM'000</b>	<b>Total RM'000</b>
<b><u>By business segment</u></b>							
External revenue	651,147	181,257	325,571	59,784	96,160	(64,894)	1,249,025
Inter-segment revenue	(24,021)	110,251	(195,135)	-	108,905	-	-
Segment revenue	<u>627,126</u>	<u>291,508</u>	<u>130,436</u>	<u>59,784</u>	<u>205,065</u>	<u>(64,894)</u>	<u>1,249,025</u>
Segment profit before taxation	266,819	209,889	102,711	3,204	187,866	(66,225)	704,264
Share of profit after tax of equity accounted associated companies				146,871			146,871
Share of profit after tax of equity accounted joint venture				-			-
Profit before taxation							<u>851,135</u>
Taxation							(144,220)
Profit after taxation							<u><u>706,915</u></u>



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

**A33 Group segmental reporting on revenue, profit and assets (continued)**

**Financial period ended 30/09/2018**

	<b>Personal Financial Services RM'000</b>	<b>Business &amp; Corporate Banking RM'000</b>	<b>Global Markets RM'000</b>	<b>Overseas/ International Operations RM'000</b>	<b>Other Operations RM'000</b>	<b>Inter- Segment Elimination RM'000</b>	<b>Total RM'000</b>
<b><u>By business segment</u></b>							
External revenue	651,147	181,257	325,571	59,784	96,160	(64,894)	1,249,025
Inter-segment revenue	(24,021)	110,251	(195,135)	-	108,905	-	-
Segment revenue	<u>627,126</u>	<u>291,508</u>	<u>130,436</u>	<u>59,784</u>	<u>205,065</u>	<u>(64,894)</u>	<u>1,249,025</u>
Segment profit before taxation	266,819	209,889	102,711	3,204	187,866	(66,225)	704,264
Share of profit after tax of equity accounted associated companies				146,871			146,871
Share of profit after tax of equity accounted joint venture				-			-
Profit before taxation							<u>851,135</u>
Taxation							<u>(144,220)</u>
Profit after taxation							<u>706,915</u>
Segment assets	91,700,997	30,357,634	61,640,924	13,941,725	-	-	197,641,280
Unallocated assets							<u>9,964,100</u>
Total assets							<u>207,605,380</u>

**Corresponding quarter ended 30/09/2017**

	<b>Personal Financial Services RM'000</b>	<b>Business &amp; Corporate Banking RM'000</b>	<b>Global Markets RM'000</b>	<b>Overseas/ International Operations RM'000</b>	<b>Other Operations RM'000</b>	<b>Inter- Segment Elimination RM'000</b>	<b>Total RM'000</b>
<b><u>By business segment</u></b>							
External revenue	651,834	163,715	323,673	64,873	(15,243)	(10,222)	1,178,630
Inter-segment revenue	(12,016)	114,809	(192,680)	-	89,887	-	-
Segment revenue	<u>639,818</u>	<u>278,524</u>	<u>130,993</u>	<u>64,873</u>	<u>74,644</u>	<u>(10,222)</u>	<u>1,178,630</u>
Segment profit before taxation	282,783	200,138	106,169	15,568	33,555	(10,140)	628,073
Share of profit after tax of equity accounted associated company				147,752			147,752
Share of profit after tax of equity accounted joint venture				4,567			4,567
Profit before taxation							<u>780,392</u>
Taxation							<u>(141,424)</u>
Profit after taxation							<u>638,968</u>

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

**A33 Group segmental reporting on revenue, profit and assets (continued)**

Corresponding financial period ended 30/09/2017

	<b>Personal Financial Services RM'000</b>	<b>Business &amp; Corporate Banking RM'000</b>	<b>Global Markets RM'000</b>	<b>Overseas/ International Operations RM'000</b>	<b>Other Operations RM'000</b>	<b>Inter- Segment Elimination RM'000</b>	<b>Total RM'000</b>
<b><u>By business segment</u></b>							
External revenue	651,834	163,715	323,673	64,873	(15,243)	(10,222)	1,178,630
Inter-segment revenue	(12,016)	114,809	(192,680)	-	89,887	-	-
Segment revenue	<u>639,818</u>	<u>278,524</u>	<u>130,993</u>	<u>64,873</u>	<u>74,644</u>	<u>(10,222)</u>	<u>1,178,630</u>
Segment profit before taxation	282,783	200,138	106,169	15,568	33,555	(10,140)	628,073
Share of profit after tax of equity accounted associated company				147,752			147,752
Share of profit after tax of equity accounted joint venture				4,567			4,567
Profit before taxation							<u>780,392</u>
Taxation							(141,424)
Profit after taxation							<u>638,968</u>
Segment assets	88,160,630	29,272,207	56,678,545	12,601,800	-	-	186,713,182
Unallocated assets							10,281,800
Total assets							<u>196,994,982</u>

**A34 Property and equipment**

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

**A35(a) Material events subsequent to the end of the reporting period**

There are no material events subsequent to the end of the financial period ended 30 September 2018.

**A35(b) Changes in the composition of the Group**

Other than the changes mentioned in Notes 16 and 17, there were no other changes in the composition of the Group for the current financial period ended 30 September 2018.

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

**A36 Commitments and contingencies**

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

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

	The Group		The Bank	
	30/09/2018 RM'000	30/06/2018 RM'000	30/09/2018 RM'000	30/06/2018 RM'000
<b>Principal amount</b>				
Direct credit substitutes	102,021	108,341	49,258	50,361
Certain transaction related contingent items	1,314,341	1,286,782	1,192,886	1,165,364
Short-term self liquidating trade related contingencies	980,525	831,871	951,475	800,721
Irrevocable commitments to extend credit:				
- maturity more than one year	15,324,072	14,301,856	11,386,970	10,410,497
- maturity less than one year	17,472,130	16,074,688	15,105,262	14,108,380
Foreign exchange related contracts:				
- less than one year	41,037,505	42,895,473	39,607,601	41,893,038
- one year to less than five years	3,330,050	2,640,932	3,330,050	2,640,932
- five years and above	508,889	517,408	508,889	517,408
Interest rate related contracts:				
- less than one year	32,464,166	28,281,796	32,464,166	28,281,796
- one year to less than five years	36,923,602	46,342,804	38,968,602	48,687,804
- five years and above	5,579,772	6,839,805	5,429,772	6,389,805
Equity related contracts:				
- less than one year	265,417	306,258	265,417	306,258
- one year to less than five years	477,231	503,502	477,231	503,502
Unutilised credit card lines	7,179,423	6,908,565	7,179,423	6,908,565
<b>Total</b>	<b>162,959,144</b>	<b>167,840,081</b>	<b>156,917,002</b>	<b>162,664,431</b>

**A37 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.

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

**A38 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.

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

**A38 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:

	<b>The Group</b>			
	<b>Financial Period Ended 30/09/2018</b>			
	<b>Fair Value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
Financial assets at FVTPL				
- Money market instrument	-	4,048,751	-	4,048,751
- Quoted securities	7,666,489	-	-	7,666,489
- Unquoted securities	-	345,025	434,035	779,060
Financial investments at FVOCI				
- Money market instrument	-	11,742,591	-	11,742,591
- Quoted securities	4,625,014	-	-	4,625,014
- Unquoted securities	-	10,012,293	32,534	10,044,827
Derivative financial instruments	2,644	806,337	10,844	819,825
	<u>12,294,147</u>	<u>26,954,997</u>	<u>477,413</u>	<u>39,726,557</u>
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	675	813,560	10,844	825,079
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,348,656	-	3,348,656
	<u>675</u>	<u>4,162,216</u>	<u>10,844</u>	<u>4,173,735</u>

	<b>The Group</b>			
	<b>Financial Year Ended 30/06/2018</b>			
	<b>Fair Value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
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>
<b><u>Financial Liabilities</u></b>				
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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2018: RM Nil).

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

**A38 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)

	<b>The Bank</b>			
	<b>Financial Period Ended 30/09/2018</b>			
	<b>Fair Value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
Financial assets at FVTPL				
- Money market instrument	-	3,625,738	-	3,625,738
- Quoted securities	7,666,489	-	-	7,666,489
- Unquoted securities	-	274,517	434,035	708,552
Financial investments at FVOCI				
- Money market instrument	-	9,802,878	-	9,802,878
- Quoted securities	4,601,592	-	-	4,601,592
- Unquoted securities	-	8,984,480	32,534	9,017,014
Derivative financial instruments	2,644	808,027	10,844	821,515
	<u>12,270,725</u>	<u>23,495,640</u>	<u>477,413</u>	<u>36,243,778</u>
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	675	771,799	10,844	783,318
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,189,273	-	2,189,273
	<u>675</u>	<u>2,961,072</u>	<u>10,844</u>	<u>2,972,591</u>
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial Assets</u></b>				
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>
<b><u>Financial Liabilities</u></b>				
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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2018: RM Nil).

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

**A38 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:

<b>The Group</b> <b>2019</b>	<b>Financial Assets</b>			<b>Derivative financial instruments</b> <b>RM'000</b>	<b>Financial Liability Derivative financial instruments</b> <b>RM'000</b>
	<b>Financial assets at FVTPL</b> <b>RM'000</b>	<b>Financial investments at FVOCI</b> <b>RM'000</b>	<b>Financial investments available-for-sale</b> <b>RM'000</b>		
At 1 July	-	-	467,512	13,876	13,876
Effect of adopting MFRS 9	434,035	33,477	(467,512)	-	-
At 1 July, as restated	434,035	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	-	-	-	(2,554)	(2,554)
Net fair value changes recognised in other comprehensive income	-	(943)	-	-	-
Purchases	-	-	-	1,377	1,377
Settlements	-	-	-	(1,855)	(1,855)
At 30 September	434,035	32,534	-	10,844	10,844
Fair value changes recognised in statements of income relating to assets/liability held on 30 September 2018	-	-	-	(2,554)	(2,554)
Total loss recognised in other comprehensive income relating to assets held on 30 September 2018	-	(943)	-	-	-
<b>The Bank</b> <b>2019</b>					
	<b>Financial assets at FVTPL</b> <b>RM'000</b>	<b>Financial investments at FVOCI</b> <b>RM'000</b>	<b>Financial investments available-for-sale</b> <b>RM'000</b>	<b>Derivative financial instruments</b> <b>RM'000</b>	<b>Financial Liability Derivative financial instruments</b> <b>RM'000</b>
At 1 July	-	-	467,512	13,876	13,876
Effect of adopting MFRS 9	434,035	33,477	(467,512)	-	-
At 1 July, as restated	434,035	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	-	-	-	(2,554)	(2,554)
Net fair value changes recognised in other comprehensive income	-	(943)	-	-	-
Purchases	-	-	-	1,377	1,377
Settlements	-	-	-	(1,855)	(1,855)
At 30 September	434,035	32,534	-	10,844	10,844
Fair value changes recognised in statements of income relating to assets/liability held on 30 September 2018	-	-	-	(2,554)	(2,554)
Total loss recognised in other comprehensive income relating to assets held on 30 September 2018	-	(943)	-	-	-

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

**A38 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:

<b>The Group 2018</b>	<b>Financial Assets</b>		<b>Financial Liability</b>
	<b>Financial investments available-for-sale RM'000</b>	<b>Derivative financial instruments RM'000</b>	<b>Derivative financial instruments RM'000</b>
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	-	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>
<b>The Bank 2018</b>			
	<b>Financial investments available-for-sale RM'000</b>	<b>Derivative financial instruments RM'000</b>	<b>Financial Liability Derivative financial instruments RM'000</b>
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	-	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>



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

**A39 Change in Accounting Policies**

With the effect from financial year beginning on/after 1 July 2018, the Group and the Bank apply MFRS 9 "Financial Instruments", replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and include requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

- (i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018:

	<b>Impact of adopting MFRS 9 as at 1 July 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Cash and short-term funds</b>		
Closing balance under MFRS 139 as at 30 June 2018	6,472,405	5,550,388
- recognition of expected credit losses under MFRS 9	(463)	(69)
Opening balance under MFRS 9 as at 1 July 2018	<u>6,471,942</u>	<u>5,550,319</u>
<b>Deposits and placements with banks and other financial institutions</b>		
Closing balance under MFRS 139 as at 30 June 2018	2,796,480	2,705,522
- recognition of expected credit losses under MFRS 9	(281)	(229)
Opening balance under MFRS 9 as at 1 July 2018	<u>2,796,199</u>	<u>2,705,293</u>
<b>Financial assets at FVTPL</b>		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial assets held-for-trading	3,415,512	3,264,486
- redesignation from financial investments available-for-sale	8,021,074	8,021,074
- redesignation from financial investments held-to-maturity	30,866	30,866
Opening balance under MFRS 9 as at 1 July 2018	<u>11,467,452</u>	<u>11,316,426</u>
<b>Financial assets held-for-trading</b>		
Closing balance under MFRS 139 as at 30 June 2018	5,969,872	5,619,035
- redesignation to financial assets at FVTPL	(3,415,512)	(3,264,486)
- redesignation to financial investments at FVOCI	(2,554,360)	(2,354,549)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
<b>Financial investments at FVOCI</b>		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments available-for-sale	19,648,574	17,500,274
- redesignation from financial assets held-for-trading	2,554,360	2,354,549
- redesignation from financial investments held-to-maturity	2,989,050	2,414,372
- unrealised gain on financial investments	10,914	8,976
- recognition of expected credit losses under MFRS 9	(3,175)	(3,132)
Opening balance under MFRS 9 as at 1 July 2018	<u>25,199,723</u>	<u>22,275,039</u>

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

**A39 Change in Accounting Policies** (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018 (continued):

	<b>Impact of adopting MFRS 9 as at 1 July 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Financial investments available-for-sale</b>		
Closing balance under MFRS 139 as at 30 June 2018	31,862,936	29,018,580
- redesignation to financial investments at FVOCI	(19,648,574)	(17,500,274)
- redesignation to financial investments at amortised cost	(4,193,288)	(3,497,232)
- redesignation to financial assets at FVTPL	(8,021,074)	(8,021,074)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
<b>Financial investments at amortised cost</b>		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments held-to-maturity	11,417,029	8,461,327
- redesignation from financial investments available-for-sale	4,193,288	3,497,232
- Remeasurement of debt instruments at amortised cost	38,776	35,134
- recognition of expected credit losses under MFRS 9	(830)	(827)
Opening balance under MFRS 9 as at 1 July 2018	<u>15,648,263</u>	<u>11,992,866</u>
<b>Financial investments held-to-maturity</b>		
Closing balance under MFRS 139 as at 30 June 2018	14,436,945	10,906,565
- redesignation to financial assets at FVTPL	(30,866)	(30,866)
- redesignation to financial investments at FVOCI	(2,989,050)	(2,414,372)
- redesignation to financial investments at amortised cost	(11,417,029)	(8,461,327)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
<b>Loans, advances and financing</b>		
Closing balance under MFRS 139 as at 30 June 2018	128,059,105	104,274,903
- recognition of expected credit losses under MFRS 9	(336,189)	(322,877)
Opening balance under MFRS 9 as at 1 July 2018	<u>127,722,916</u>	<u>103,952,026</u>
<b>Deferred tax assets</b>		
Closing balance under MFRS 139 as at 30 June 2018	53,067	47,908
- in respect of unrealised gain/loss on FVOCI reserves	(14,080)	(12,743)
Opening balance under MFRS 9 as at 1 July 2018	<u>38,987</u>	<u>35,165</u>

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

**A39 Change in Accounting Policies** (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018 (continued):

	<b>Impact of adopting MFRS 9 as at 1 July 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Retained profits</b>		
Closing balance under MFRS 139 as at 30 June 2018	15,184,533	11,212,525
- transfer to regulatory reserves	4,280	32,008
- unrealised gain on financial assets at FVTPL	341,983	339,494
- recognition of effective interest rate using contractual maturity	28,966	13,393
- recognition of expected credit losses under MFRS 9	(373,609)	(344,232)
- deferred tax adjustment on unrealised gain/loss on FVOCI reserves	(14,080)	(12,743)
- tax effect arising from the recognition of expected credit losses under MFRS 9	80,534	78,134
Opening balance under MFRS 9 as at 1 July 2018	<u>15,252,607</u>	<u>11,318,579</u>
<b>Regulatory reserves</b>		
Closing balance under MFRS 139 as at 30 June 2018	752,939	637,098
- transfer from retained profits	(4,280)	(32,008)
Opening balance under MFRS 9 as at 1 July 2018	<u>748,659</u>	<u>605,090</u>
<b>Other reserves</b>		
Closing balance under MFRS 139 as at 30 June 2018	947,991	406,668
- reversal of unrealised loss on financial investments at FVOCI	3,705	3,705
- unrealised gain on redesignation to financial investments at FVOCI	10,914	8,976
- day 1 remeasurement of debts at amortised cost	38,776	35,134
- unrealised gain on financial assets at FVTPL transfer to retained profits	(341,983)	(339,494)
Opening balance under MFRS 9 as at 1 July 2018	<u>659,403</u>	<u>114,989</u>
<b>Provision for taxation</b>		
Closing balance under MFRS 139 as at 30 June 2018	211,619	171,958
- in respect of recognition of expected credit losses under MFRS 9	(80,534)	(78,134)
Opening balance under MFRS 9 as at 1 July 2018	<u>131,085</u>	<u>93,824</u>

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

**A39 Change in Accounting Policies** (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018 (continued):

<b>The Group</b>				
<b>Statements of Financial Position</b>		<b>Classification</b>	<b>Expected</b>	
	<b>30 June 2018</b>	<b>and</b>	<b>credit losses</b>	<b>1 July 2018</b>
	<b>RM'000</b>	<b>measurement</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>ASSETS</b>				
Cash and short-term funds	6,472,405	-	(463)	6,471,942
Deposits and placements with banks and other financial institutions	2,796,480	-	(281)	2,796,199
Financial assets at fair value through profit or loss	-	11,467,452	-	11,467,452
Financial assets held-for-trading	5,969,872	(5,969,872)	-	-
Financial investments at fair value through other comprehensive income	-	25,202,898	(3,175)	25,199,723
Financial investments available-for-sale	31,862,936	(31,862,936)	-	-
Financial investments at amortised cost	-	15,649,093	(830)	15,648,263
Financial investments held-to-maturity	14,436,945	(14,436,945)	-	-
Loans, advances and financing	128,059,105	-	(336,189)	127,722,916
Other assets	780,069	-	-	780,069
Derivative financial instruments	918,067	-	-	918,067
Statutory deposits with Central Banks	4,312,482	-	-	4,312,482
Investment in associated company	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	(14,080)	-	38,987
<b>TOTAL ASSETS</b>	<b>202,890,773</b>	<b>35,610</b>	<b>(340,938)</b>	<b>202,585,445</b>

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

**A39 Change in Accounting Policies** (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018 (continued):

<b>The Group</b>				
<b>Statements of Financial Position</b>	<b>30 June 2018</b>	<b>Classification</b>	<b>Expected</b>	<b>1 July 2018</b>
	<b>RM'000</b>	<b>and</b>	<b>credit losses</b>	<b>RM'000</b>
		<b>measurement</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Deposits from customers	157,414,095	-	-	157,414,095
Deposits and placements of banks and other financial institutions	7,237,434	-	-	7,237,434
Obligations on securities sold under repurchase agreements	3,831,869	-	-	3,831,869
Bills and acceptances payable	544,451	-	-	544,451
Other liabilities	4,719,446	-	-	4,719,446
Derivative financial instruments	1,020,196	-	-	1,020,196
Recourse obligation on loans sold to Cagamas Berhad	202,952	-	-	202,952
Tier 2 subordinated bonds	2,902,908	-	-	2,902,908
Multi-currency Additional Tier 1 capital securities	401,192	-	-	401,192
Innovative Tier 1 capital securities	512,352	-	-	512,352
Provision for taxation	211,619	6,952	(87,486)	131,085
<b>TOTAL LIABILITIES</b>	<b>178,998,514</b>	<b>6,952</b>	<b>(87,486)</b>	<b>178,917,980</b>
Share capital	7,739,063	-	-	7,739,063
Retained profits	15,184,533	349,917	(281,843)	15,252,607
Regulatory reserves	752,939	-	(4,280)	748,659
Other reserves	947,991	(288,588)	-	659,403
less : Treasury Shares	(732,267)	-	-	(732,267)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>23,892,259</b>	<b>61,329</b>	<b>(286,123)</b>	<b>23,667,465</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>202,890,773</b>	<b>68,281</b>	<b>(373,609)</b>	<b>202,585,445</b>

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

**A39 Change in Accounting Policies** (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018 (continued):

<b>The Bank</b>				
<b>Statements of Financial Position</b>		<b>Classification and measurement</b>	<b>Expected credit losses</b>	
	<b>30 June 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>1 July 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>				
Cash and short-term funds	5,550,388	-	(69)	5,550,319
Deposits and placements with banks and other financial institutions	2,705,522	-	(229)	2,705,293
Financial assets at fair value through profit or loss	-	11,316,426	-	11,316,426
Financial assets held-for-trading	5,619,035	(5,619,035)	-	-
Financial investments at fair value through other comprehensive income	-	22,278,171	(3,132)	22,275,039
Financial investments available-for-sale	29,018,580	(29,018,580)	-	-
Financial investments at amortised cost	-	11,993,693	(827)	11,992,866
Financial investments held-to-maturity	10,906,565	(10,906,565)	-	-
Loans, advances and financing	104,274,903	-	(322,877)	103,952,026
Other assets	686,696	-	-	686,696
Derivative financial instruments	932,926	-	-	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 company	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	(12,743)	-	35,165
<b>TOTAL ASSETS</b>	<b>169,111,037</b>	<b>31,367</b>	<b>(327,134)</b>	<b>168,815,270</b>

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

**A39 Change in Accounting Policies** (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 July 2018 (continued):

<b>The Bank</b>				
<b>Statements of Financial Position</b>		<b>Classification and measurement</b>	<b>Expected credit losses</b>	
	<b>30 June 2018 RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>1 July 2018 RM'000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Deposits from customers	129,583,425	-	-	129,583,425
Deposits and placements of banks and other financial institutions	7,245,854	-	-	7,245,854
Obligations on securities sold under repurchase agreements	3,805,119	-	-	3,805,119
Bills and acceptances payable	506,971	-	-	506,971
Other liabilities	3,932,169	-	-	3,932,169
Derivative financial instruments	983,680	-	-	983,680
Recourse obligation on loans sold to Cagamas Berhad	202,952	-	-	202,952
Tier 2 subordinated bonds	2,502,278	-	-	2,502,278
Multi-currency Additional Tier 1 capital securities	401,192	-	-	401,192
Innovative Tier 1 capital securities	512,352	-	-	512,352
Provision for taxation	171,958	3,215	(81,349)	93,824
<b>TOTAL LIABILITIES</b>	<b>149,847,950</b>	<b>3,215</b>	<b>(81,349)</b>	<b>149,769,816</b>
Share capital	7,739,063	-	-	7,739,063
Retained profits	11,212,525	336,929	(230,875)	11,318,579
Regulatory reserves	637,098	-	(32,008)	605,090
Other reserves	406,668	(291,679)	-	114,989
less : Treasury Shares	(732,267)	-	-	(732,267)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>19,263,087</b>	<b>45,250</b>	<b>(262,883)</b>	<b>19,045,454</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>169,111,037</b>	<b>48,465</b>	<b>(344,232)</b>	<b>168,815,270</b>

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

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

**B1 Review of performance**

**Current Quarter vs. Previous Year Corresponding Quarter**

The Group recorded a pre-tax profit of RM851.1 million for the current financial quarter ended 30 Sep 2018, an increase of RM70.7 million or 9.1% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM70.4 million, lower allowance for impairment losses on loans, advances and financing of RM24.6 million. However, this is mitigated by higher operating expenses of RM18.0 million and lower share of profit from associated companies of RM5.4 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 RM266.8 million for the financial year ended 30 September 2018 as compared to previous financial year of RM282.8 million. The decrease in pre-tax profit was mainly contributed by lower 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 RM209.9 million for the financial year ended 30 September 2018 as compared to previous financial year of RM200.1 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.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM102.7 million for the financial year ended 30 September 2018 as compared to previous financial year of RM106.2 million. The decrease in pre-tax profit was mainly contributed by lower total income, higher operating expenses and impairment losses on bonds & interbank assets with MFRS9 implementation effective FY1819.

International Banking

The International Banking's segment recorded a pre-tax profit of RM150.1 million for the financial year ended 30 September 2018 as compared to previous financial year of RM167.9 million. The decrease in pre-tax profit was mainly contributed by lower total income, higher operating expenses, higher allowance for impairment losses on loans, advances and financing and lower share of profit from associated company in China.



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

**B2 Current Quarter vs. Preceding Quarter**

For the current financial quarter, the Group recorded a pre-tax profit of RM851.1 million as compared to RM777.6 million in the preceding quarter, an increase of RM73.5 million mainly contributed by higher net income of RM72.7 million and higher share of profit from associated companies of RM29.5 million. However, this is partially offset by higher net allowance for impairment losses of RM14.4 million and higher operating expenses of RM14.3 million.

**B3 Current year prospects**

The Malaysian economy is expected to remain on a modest growth path, in tandem with continued moderate growth in the world economy. A steady labour market, continuous wage growth, more optimistic consumer sentiments and ongoing fiscal reforms, are expected to provide the support to private consumption and overall economic growth, helping it alleviate short term setback in investment and exports as a result of the shift in the US monetary and trade policies.

We remain focused in executing our digital strategy to strengthen our digital offerings and transform our products and services. By entrenching ourselves in the communities leveraging on our branch footprint and digital capabilities, we continue to grow our domestic franchise and regional businesses especially in the SME market segment. We also take pride in leading the digital and innovation space to provide best-in-class experience and engage with 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**

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Group</b>				
Income tax	145,491	143,496	145,491	143,496
Transfer to deferred taxation	(1,271)	(2,072)	(1,271)	(2,072)
	<u>144,220</u>	<u>141,424</u>	<u>144,220</u>	<u>141,424</u>

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>The Bank</b>				
Income tax	118,394	123,761	118,394	123,761
Transfer to deferred taxation	(765)	(2,072)	(765)	(2,072)
	<u>117,629</u>	<u>121,689</u>	<u>117,629</u>	<u>121,689</u>

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

**B6 Profit on sale of unquoted investments/properties**

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

**B7 Purchase and disposal of quoted securities**

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

**B8 Status of corporate proposals**

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

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

**B9 Off-balance sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 30 September 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	32,412,600	433,305	(187,413)
(ii) 1 year to 3 years	86,867	-	(4,208)
Swaps			
(i) Less than 1 year	6,010,266	40,290	(220,679)
(ii) 1 year to 3 years	2,043,881	18,452	(38,477)
(iii) More than 3 years	1,708,191	71,676	(24,446)
Options			
(i) Less than 1 year	2,614,639	17,835	(12,161)
Interest rate related contracts			
Futures			
(i) Less than 1 year	16,955,889	2,644	(675)
Swaps			
(i) Less than 1 year	15,508,277	39,000	(28,470)
(ii) 1 year to 3 years	24,434,158	106,651	(107,811)
(iii) More than 3 years	18,069,216	79,128	(189,895)
Equity related contracts			
(i) Less than 1 year	265,417	1,638	(1,637)
(ii) 1 year to 3 years	449,253	5,281	(5,282)
(iii) More than 3 years	27,978	3,925	(3,925)
<b>Total</b>	<b>120,586,632</b>	<b>819,825</b>	<b>(825,079)</b>

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

**B9 Off-balance sheet financial instruments** (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 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)
<b>Total</b>	<b>128,327,978</b>	<b>918,067</b>	<b>(1,020,196)</b>

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

**B9 Off-balance sheet financial instruments** (continued)

Details of financial instruments with off-balance sheet risk as at 30 September 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	31,025,238	415,130	(167,633)
(ii) 1 year to 3 years	86,867	-	(4,208)
Swaps			
(i) Less than 1 year	5,967,724	40,290	(220,664)
(ii) 1 year to 3 years	2,043,881	18,452	(38,477)
(iii) More than 3 years	1,708,191	71,676	(24,446)
Options			
(i) Less than 1 year	2,614,639	17,835	(12,161)
Interest rate related contracts			
Futures			
(i) Less than 1 year	16,955,889	2,644	(675)
Swaps			
(i) Less than 1 year	15,508,277	38,932	(28,470)
(ii) 1 year to 3 years	25,309,159	106,322	(106,319)
(iii) More than 3 years	19,089,215	99,390	(169,421)
Equity related contracts			
(i) Less than 1 year	265,416	1,638	(1,637)
(ii) 1 year to 3 years	449,254	5,281	(5,282)
(iii) More than 3 years	27,978	3,925	(3,925)
<b>Total</b>	<b>121,051,728</b>	<b>821,515</b>	<b>(783,318)</b>

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

**B9 Off-balance sheet financial instruments** (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 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)
<b>Total</b>	<b>129,220,543</b>	<b>932,926</b>	<b>(983,680)</b>

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

**B9 Off-balance sheet financial instruments** (continued)

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM452,834,000 (FYE June 2018: RM57,213,000) and RM80,016,279,000 (FYE June 2018: RM86,167,241,000) 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 RM918,879,000 (FYE June 2018: RM1,049,517,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

**B9 Off-balance sheet financial instruments** (continued)

**Credit risk** (continued)

Derivatives (continued)

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

The notional amounts of certain types of financial 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.



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

**B10 Material litigation**

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

**B11 Dividend**

No interim dividend has been proposed for the current quarter.

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

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
<b><u>The Group</u></b>				
Net profit attributable to equity holders	706,915	638,968	706,915	638,968
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	(121,888)	(122,118)	(121,888)	(122,118)
	2,045,830	2,045,600	2,045,830	2,045,600
<b>Basic earnings per share (sen)</b>	34.6	31.2	34.6	31.2
<b><u>The Bank</u></b>				
Net profit attributable to equity holders	529,264	422,433	529,264	422,433
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	(121,888)	(122,118)	(121,888)	(122,118)
	2,045,830	2,045,600	2,045,830	2,045,600
<b>Basic earnings per share (sen)</b>	25.9	20.7	25.9	20.7

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

**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.

	<b>1st Quarter Ended</b>		<b>Cumulative Three Months Ended</b>	
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>The Group</u></b>				
Net profit attributable to equity holders	706,915	638,968	706,915	638,968
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,830	2,045,600	2,045,830	2,045,600
- adjustment for ESS	6,443	551	6,443	551
	<u>2,052,273</u>	<u>2,046,151</u>	<u>2,052,273</u>	<u>2,046,151</u>
<b>Fully diluted earnings per share (sen)</b>	34.4	31.2	34.4	31.2
<b><u>The Bank</u></b>				
Net profit attributable to equity holders	529,264	422,433	529,264	422,433
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,830	2,045,600	2,045,830	2,045,600
- adjustment for ESS	6,443	551	6,443	551
	<u>2,052,273</u>	<u>2,046,151</u>	<u>2,052,273</u>	<u>2,046,151</u>
<b>Fully diluted earnings per share (sen)</b>	25.8	20.6	25.8	20.6