

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

**Condensed Financial Statements**  
**Unaudited Statements of Financial Position As At 31 December 2018**

		<b>The Group</b>		<b>The Bank</b>	
	Note	As at 31/12/2018 RM'000	As at 30/06/2018 RM'000	As at 31/12/2018 RM'000	As at 30/06/2018 RM'000
<b><u>ASSETS</u></b>					
Cash and short-term funds		8,163,180	6,472,405	8,214,818	5,550,388
Deposits and placements with banks and other financial institutions		3,087,999	2,796,480	2,900,844	2,705,522
Financial assets at fair value through profit or loss	A8	13,055,648	-	12,347,258	-
Financial assets held-for-trading	A9	-	5,969,872	-	5,619,035
Financial investments at fair value through other comprehensive income	A10	27,363,684	-	24,268,484	-
Financial investments available-for-sale	A11	-	31,862,936	-	29,018,580
Financial investments at amortised cost	A12	17,063,730	-	12,985,333	-
Financial investments held-to-maturity	A13	-	14,436,945	-	10,906,565
Loans, advances and financing	A14	130,350,514	128,059,105	105,277,576	104,274,903
Other assets	A15	722,497	780,069	697,243	686,696
Derivative financial instruments		520,850	918,067	540,212	932,926
Amount due from subsidiaries		-	-	50,938	43,563
Statutory deposits with Central Banks		4,309,384	4,312,482	3,344,002	3,453,017
Subsidiary companies		-	-	2,157,993	2,157,132
Investment in associated companies	A16	3,937,006	3,651,091	971,182	946,525
Investment in joint venture	A17	-	179,426	-	76,711
Property and equipment		1,411,381	1,414,975	782,828	782,853
Intangible assets		133,286	152,541	118,246	137,166
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		52,510	53,067	39,507	47,908
<b>TOTAL ASSETS</b>		<b>212,002,981</b>	<b>202,890,773</b>	<b>176,468,011</b>	<b>169,111,037</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>					
Deposits from customers	A18	162,599,295	157,414,095	133,376,844	129,583,425
Deposits and placements of banks and other financial institutions	A19	10,227,826	7,237,434	10,281,362	7,245,854
Obligations on securities sold under repurchase agreements		4,814,834	3,831,869	4,814,834	3,805,119
Bills and acceptances payable		494,037	544,451	472,885	506,971
Other liabilities	A20	4,560,434	4,719,446	3,690,790	3,932,169
Derivative financial instruments		631,567	1,020,196	616,351	983,680
Recourse obligation on loans sold to Cagamas Berhad		202,994	202,952	202,994	202,952
Tier 2 subordinated bonds	A21	2,903,070	2,902,908	2,502,316	2,502,278
Multi-currency Additional Tier 1 capital securities	A22	401,257	401,192	401,257	401,192
Innovative Tier 1 capital securities	A23	511,909	512,352	511,909	512,352
Provision for taxation		196,890	211,619	130,440	171,958
<b>TOTAL LIABILITIES</b>		<b>187,544,113</b>	<b>178,998,514</b>	<b>157,001,982</b>	<b>149,847,950</b>
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		17,452,072	16,885,463	12,459,233	12,256,291
Less: Treasury shares		(732,267)	(732,267)	(732,267)	(732,267)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>24,458,868</b>	<b>23,892,259</b>	<b>19,466,029</b>	<b>19,263,087</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>212,002,981</b>	<b>202,890,773</b>	<b>176,468,011</b>	<b>169,111,037</b>
<b><u>COMMITMENTS AND CONTINGENCIES</u></b>	A36	<b>155,754,101</b>	<b>167,840,081</b>	<b>148,159,022</b>	<b>162,664,431</b>

Net asset per share attributable to ordinary equity holders of the parent (RM) \*

11.96                      11.68                      9.51                      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 31 December 2018**

	Note	The Group			
		Current Quarter Ended 31/12/2018 RM'000	Corresponding Quarter Ended 31/12/2017 RM'000	Current Period Ended 31/12/2018 RM'000	Corresponding Period Ended 31/12/2017 RM'000
Interest income	A24	1,696,469	1,586,426	3,363,819	3,158,630
Interest expense	A25	(990,157)	(837,761)	(1,959,262)	(1,669,439)
Net interest income		706,312	748,665	1,404,557	1,489,191
Net income from Islamic Banking business	A26	172,744	156,833	343,820	316,643
Other operating income	A27	263,114	323,057	642,818	601,351
Net income		1,142,170	1,228,555	2,391,195	2,407,185
Other operating expenses	A28	(510,859)	(515,842)	(1,036,021)	(1,022,987)
Operating profit before allowances		631,311	712,713	1,355,174	1,384,198
Write back of/(allowance for) impairment losses on loans, advances and financing	A29	58,138	(10,476)	39,371	(53,889)
(Allowance for)/write back of impairment losses on financial investments	A30	(190)	555	(134)	556
Write back of/(allowance for) impairment losses on other financial assets	A31	331	-	(557)	-
Share of profit after tax of equity accounted associated companies		689,590	702,792	1,393,854	1,330,865
Share of profit after tax of equity accounted joint venture		133,611	125,379	280,482	273,131
Share of profit after tax of equity accounted joint venture		-	4,928	-	9,495
Profit before taxation		823,201	833,099	1,674,336	1,613,491
Taxation	B5	(135,955)	(150,028)	(280,175)	(291,452)
Net profit for the financial period		687,246	683,071	1,394,161	1,322,039
<b>Attributable to:</b>					
Owners of the parent		687,246	683,071	1,394,161	1,322,039
Earnings per share - basic (sen)	B12(a)	33.6	33.4	68.1	64.6
Earnings per share - fully diluted (sen)	B12(b)	33.5	33.3	67.9	64.5

*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 Comprehensive Income**  
**For The Financial Period Ended 31 December 2018**

	<b>The Group</b>			
	<b>Current Quarter Ended 31/12/2018 RM'000</b>	<b>Corresponding Quarter Ended 31/12/2017 RM'000</b>	<b>Current Period Ended 31/12/2018 RM'000</b>	<b>Corresponding Period Ended 31/12/2017 RM'000</b>
Net profit for the financial period	687,246	683,071	1,394,161	1,322,039
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive of associated company	-	-	(822)	525
Currency translation differences	5,479	(127,365)	(40,012)	(154,822)
Net fair value changes on financial investments at fair value through other comprehensive income	68,612	-	101,877	-
Net fair value changes on financial investments available-for-sale	-	(81,601)	-	(61,734)
Net fair value changes in cash flow hedge	(346)	1,505	(1,075)	1,369
Income tax relating to components of other comprehensive (income)/loss	(12,374)	16,499	(24,117)	12,321
Other comprehensive income/(loss) for the financial period, net of tax	61,371	(190,962)	35,851	(202,341)
Total comprehensive income for the financial period	<u>748,617</u>	<u>492,109</u>	<u>1,430,012</u>	<u>1,119,698</u>
Attributable to:				
- Owners of the parent	<u>748,617</u>	<u>492,109</u>	<u>1,430,012</u>	<u>1,119,698</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)**

**Condensed Financial Statements**  
**Unaudited Statements of Income**  
**For The Financial Period Ended 31 December 2018**

	Note	The Bank			
		Current Quarter Ended 31/12/2018 RM'000	Corresponding Quarter Ended 31/12/2017 RM'000	Current Period Ended 31/12/2018 RM'000	Corresponding Period Ended 31/12/2017 RM'000
Interest income	A24	1,669,444	1,564,271	3,311,210	3,114,568
Interest expense	A25	(983,307)	(827,882)	(1,945,023)	(1,650,347)
Net interest income		686,137	736,389	1,366,187	1,464,221
Other operating income	A27	253,291	318,827	686,114	599,380
Net income		939,428	1,055,216	2,052,301	2,063,601
Other operating expenses	A28	(445,429)	(455,267)	(902,753)	(901,268)
Operating profit before allowances		493,999	599,949	1,149,548	1,162,333
Write back of/(allowance for) impairment losses on loans, advances and financing	A29	61,799	(13,663)	55,058	(31,926)
(Allowance for)/write back of impairment losses on financial investments	A30	(157)	555	(109)	556
Write back of/(allowance for) impairment losses on other financial assets	A31	1,009	-	(954)	-
Profit before taxation		556,650	586,841	1,203,543	1,130,963
Taxation	B5	(109,479)	(122,700)	(227,108)	(244,389)
Net profit for the financial period		447,171	464,141	976,435	886,574
<b>Attributable to:</b>					
Owners of the parent		447,171	464,141	976,435	886,574
Earnings per share - basic (sen)	B12(a)	21.9	22.7	47.7	43.3
Earnings per share - fully diluted (sen)	B12(b)	21.8	22.7	47.6	43.3

*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 Comprehensive Income**  
**For The Financial Period Ended 31 December 2018**

	<b>The Bank</b>			
	<b>Current Quarter Ended 31/12/2018 RM'000</b>	<b>Corresponding Quarter Ended 31/12/2017 RM'000</b>	<b>Current Period Ended 31/12/2018 RM'000</b>	<b>Corresponding Period Ended 31/12/2017 RM'000</b>
Net profit for the financial period	447,171	464,141	976,435	886,574
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(2,783)	(29,675)	20,483	(35,310)
Net fair value changes on financial investments at fair value through other comprehensive income	66,044	-	84,213	-
Net fair value changes on financial investments available-for-sale	-	(77,486)	-	(55,776)
Net fair value changes in cash flow hedge	(346)	1,505	(1,075)	1,369
Income tax relating to components of other comprehensive (income)/loss	(12,602)	15,449	(20,872)	10,868
Other comprehensive income/(loss) for the financial period, net of tax	50,313	(90,207)	82,749	(78,849)
Total comprehensive income for the financial period	<u>497,484</u>	<u>373,934</u>	<u>1,059,184</u>	<u>807,725</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)**

**Condensed Financial Statements**

**Unaudited Statements of Changes in Equity For The Financial Period Ended 31 December 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 A40)	-	(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	-	-	-	1,394,161	-	1,394,161
- Share of other comprehensive income of associated company	-	(822)	-	-	-	(822)
- Net fair value changes in financial investments at fair value through other comprehensive income	-	77,582	-	-	-	77,582
- Net fair value changes in cash flow hedge	-	(897)	-	-	-	(897)
- Currency translation differences	-	(40,012)	-	-	-	(40,012)
Total comprehensive income	<u>-</u>	<u>35,851</u>	<u>-</u>	<u>1,394,161</u>	<u>-</u>	<u>1,430,012</u>
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	87,723	(87,723)	-	-
Dividends paid	-	-	-	(654,666)	-	(654,666)
ESS exercised	-	-	-	-	-	-
Option charge arising from ESS granted	-	16,057	-	-	-	16,057
Total transactions with owners	<u>-</u>	<u>16,057</u>	<u>87,723</u>	<u>(742,389)</u>	<u>-</u>	<u>(638,609)</u>
<b>At 31 December 2018</b>	<b><u>7,739,063</u></b>	<b><u>711,311</u></b>	<b><u>836,382</u></b>	<b><u>15,904,379</u></b>	<b><u>(732,267)</u></b>	<b><u>24,458,868</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	-	-	-	1,322,039	-	1,322,039
- Share of other comprehensive income of associated company	-	525	-	-	-	525
- Net fair value changes in financial investments available-for-sale	-	(49,085)	-	-	-	(49,085)
- Net fair value changes in cash flow hedge	-	1,041	-	-	-	1,041
- Currency translation differences	-	(154,822)	-	-	-	(154,822)
Total comprehensive (loss)/income	<u>-</u>	<u>(202,341)</u>	<u>-</u>	<u>1,322,039</u>	<u>-</u>	<u>1,119,698</u>
<u>Transactions with owners</u>						
Transfer from regulatory reserve	-	-	(2,154)	2,154	-	-
Dividends paid	-	-	-	(613,680)	-	(613,680)
Option charge arising from ESS granted	-	5,652	-	-	-	5,652
Total transactions with owners	<u>-</u>	<u>5,652</u>	<u>(2,154)</u>	<u>(611,526)</u>	<u>-</u>	<u>(608,028)</u>
<b>At 31 December 2017</b>	<b><u>7,739,063</u></b>	<b><u>1,244,557</u></b>	<b><u>676,329</u></b>	<b><u>14,271,095</u></b>	<b><u>(733,961)</u></b>	<b><u>23,197,083</u></b>

\* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM825,134,000 (31 December 2017: RM665,084,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 2017: RM11,245,000)

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 Changes in Equity For The Financial Period Ended 31 December 2018**

Attributable to owners of the parent

<b>The Bank</b>	<b>Share Capital RM'000</b>	<b>Other Reserves RM'000</b>	<b>Regulatory Reserve 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	406,668	637,098	11,212,525	(732,267)	19,263,087
Effect of adopting MFRS 9 (Note A40)	-	(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>
<b>Comprehensive income</b>						
Net profit for the financial period	-	-	-	976,435	-	976,435
- Net fair value changes in financial investments at fair value through other comprehensive income	-	63,163	-	-	-	63,163
- Net fair value changes in cash flow hedge	-	(897)	-	-	-	(897)
- Currency translation differences	-	20,483	-	-	-	20,483
Total comprehensive income	<u>-</u>	<u>82,749</u>	<u>-</u>	<u>976,435</u>	<u>-</u>	<u>1,059,184</u>
<b>Transactions with owners</b>						
Transfer to regulatory reserve	-	-	80,655	(80,655)	-	-
Dividends paid	-	-	-	(654,666)	-	(654,666)
ESS exercised	-	-	-	-	-	-
Option charge arising from ESS granted	-	16,057	-	-	-	16,057
Total transactions with owners	<u>-</u>	<u>16,057</u>	<u>80,655</u>	<u>(735,321)</u>	<u>-</u>	<u>(638,609)</u>
<b>At 31 December 2018</b>	<b><u>7,739,063</u></b>	<b><u>213,795</u></b>	<b><u>685,745</u></b>	<b><u>11,559,693</u></b>	<b><u>(732,267)</u></b>	<b><u>19,466,029</u></b>
<b>At 1 July 2017</b>	7,739,063	620,396	571,678	10,245,205	(733,961)	18,442,381
<b>Comprehensive income</b>						
Net profit for the financial period	-	-	-	886,574	-	886,574
- Net fair value changes in financial investments available-for-sale	-	(44,580)	-	-	-	(44,580)
- Net fair value changes in cash flow hedge	-	1,041	-	-	-	1,041
- Currency translation differences	-	(35,310)	-	-	-	(35,310)
Total comprehensive (loss)/income	<u>-</u>	<u>(78,849)</u>	<u>-</u>	<u>886,574</u>	<u>-</u>	<u>807,725</u>
<b>Transactions with owners</b>						
Transfer to regulatory reserve	-	-	1,617	(1,617)	-	-
Dividends paid	-	-	-	(613,680)	-	(613,680)
Option charge arising from ESS granted	-	5,652	-	-	-	5,652
Total transactions with owners	<u>-</u>	<u>5,652</u>	<u>1,617</u>	<u>(615,297)</u>	<u>-</u>	<u>(608,028)</u>
<b>At 31 December 2017</b>	<b><u>7,739,063</u></b>	<b><u>547,199</u></b>	<b><u>573,295</u></b>	<b><u>10,516,482</u></b>	<b><u>(733,961)</u></b>	<b><u>18,642,078</u></b>

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 Condensed Statements of Cash Flows**  
**For The Financial Period Ended 31 December 2018**

	The Group		The Bank	
	Financial Period Ended 31/12/2018 RM'000	Financial Period Ended 31/12/2017 RM'000	Financial Period Ended 31/12/2018 RM'000	Financial Period Ended 31/12/2017 RM'000
Profit before taxation	1,674,336	1,613,491	1,203,543	1,130,963
Adjustments for non-cash items	(596,883)	(747,773)	121,334	(524,932)
Operating profit before working capital changes	1,077,453	865,718	1,324,877	606,031
Changes in working capital:				
Net changes in operating assets	(3,074,837)	(3,866,985)	(1,468,567)	(2,086,827)
Net changes in operating liabilities	8,712,498	5,775,872	7,312,559	4,600,525
Income taxes and zakat paid	(269,525)	(219,091)	(231,051)	(191,039)
Net cash generated from operating activities	<u>6,445,589</u>	<u>2,555,514</u>	<u>6,937,818</u>	<u>2,928,690</u>
<b>Cash flows from investing activities</b>				
Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	-	(400,000)
Investment in subordinated facilities	-	-	(861)	-
Net purchases of financial investments available-for-sale	(2,039,359)	(4,288,588)	(1,885,661)	(4,252,497)
Net (purchases)/proceeds of financial investments held-to-maturity	(997,807)	449,231	(992,426)	547,835
Purchase of property and equipment	(68,809)	(65,265)	(62,886)	(63,555)
Net proceeds from sale of property and equipment	544	2,522	426	2,447
Purchase of intangible assets	(6,209)	(3,689)	(5,927)	(2,172)
Investment in subsidiary company	-	-	-	(76,703)
Dividends received from:				
- Associated company	2,901	3,563	2,901	3,563
- Financial investments at FVTPL and FVOCI	143,467	137,372	143,467	137,372
Net cash used in investing activities	<u>(2,965,272)</u>	<u>(3,764,854)</u>	<u>(2,800,967)</u>	<u>(4,103,710)</u>
<b>Cash flows from financing activities</b>				
Dividends paid	(654,666)	(613,680)	(654,666)	(613,680)
Proceeds from debt issuance				
- Multi-currency Additional Tier 1 capital securities	-	400,000	-	400,000
Interest paid:				
- Subordinated obligations	(58,416)	(46,184)	(58,521)	(46,289)
- Multi-currency Additional Tier 1 capital securities	(10,327)	(826)	(10,410)	(11)
- Innovative Tier 1 capital securities	(20,351)	(19,040)	(20,351)	(19,040)
- Recourse obligation on loans sold to Cagamas	(3,790)	(3,787)	(3,790)	(3,787)
Net cash used in financing activities	<u>(747,550)</u>	<u>(283,517)</u>	<u>(747,738)</u>	<u>(282,807)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,732,767</b>	<b>(1,492,857)</b>	<b>3,389,113</b>	<b>(1,457,827)</b>
<b>Currency translation differences</b>	<b>42,063</b>	<b>(80,577)</b>	<b>18,560</b>	<b>(34,433)</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>6,738,139</u></b>	<b><u>8,815,439</u></b>	<b><u>6,690,367</u></b>	<b><u>8,086,090</u></b>



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

**Condensed Financial Statements**  
**Unaudited Condensed Statements of Cash Flows**  
**For The Financial Period Ended 31 December 2018**

	The Group		The Bank	
	Financial Period Ended 31/12/2018 RM'000	Financial Period Ended 31/12/2017 RM'000	Financial Period Ended 31/12/2018 RM'000	Financial Period Ended 31/12/2017 RM'000
Cash and short-term funds	8,163,180	8,601,902	8,214,818	8,352,574
Deposits and placements with banks and other financial institutions	3,087,999	4,406,888	2,900,844	3,987,073
	<u>11,251,179</u>	<u>13,008,790</u>	<u>11,115,662</u>	<u>12,339,647</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	(4,513,040)	(4,193,351)	(4,425,295)	(4,253,557)
	<u>6,738,139</u>	<u>8,815,439</u>	<u>6,690,367</u>	<u>8,086,090</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 31 DECEMBER 2018**

**A1 Basis of preparation**

The unaudited condensed financial statements for the financial period ended 31 December 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 A40.

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 A40.

**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 30 June 2018**

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 period**

There were no changes in estimates of amounts reported in the prior financial period 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 31 December 2018:

**a) Share Buy-back**

The total number of shares bought back, all of which were held as treasury shares as at 31 December 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 31 December 2018, the trust did not purchase any new shares. As at 31 December 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.

On 3 December 2018, the Bank has granted 267,379 ordinary shares in HLB to an eligible executive of the Bank pursuant to the Bank's ESS. The vesting of the 267,379 free ordinary shares in HLB will be done in tranches over a period of 2 years from the date of the grant.

During the financial period ended 31 December 2018, a total of 258,488 share options lapsed arising from the resignation of an option holder pursuant to the Bank's ESS.

**A7 Dividends paid**

A final single tier dividend of 32.0 sen per share in respect of financial year ended 30 June 2018 amounting to RM654.7 million was paid on 22 November 2018.

**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>	
	31/12/2018 RM'000	30/06/2018 RM'000	31/12/2018 RM'000	30/06/2018 RM'000
Money market instruments:				
Government treasury bills	339,574	-	339,574	-
Malaysian Government securities	2,154,804	-	2,154,803	-
Malaysian Government investment certificates	1,393,839	-	809,715	-
Cagamas bonds	375,497	-	375,497	-
Khazanah bonds	124,265	-	-	-
Other Government securities	93,559	-	93,559	-
	<u>4,481,538</u>	<u>-</u>	<u>3,773,148</u>	<u>-</u>
Quoted securities:				
Wholesale fund/unit trust	7,600,018	-	7,600,018	-
Foreign currency bonds in Malaysia	74,662	-	74,662	-
Foreign currency bonds outside Malaysia	74,132	-	74,132	-
Unquoted securities:				
Malaysian Government sukuk	81,257	-	81,257	-
Corporate bonds and sukuk	279,140	-	279,140	-
Shares in Malaysia	434,035	-	434,035	-
Redeemable preference shares	30,866	-	30,866	-
Total financial assets at FVTPL	<u><u>13,055,648</u></u>	<u><u>-</u></u>	<u><u>12,347,258</u></u>	<u><u>-</u></u>

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

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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:				
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>	
	31/12/2018 RM'000	30/06/2018 RM'000	31/12/2018 RM'000	30/06/2018 RM'000
Money market instruments:				
Government treasury bills	165,392	-	165,392	-
Malaysian Government securities	1,102,180	-	1,102,180	-
Malaysian Government investment certificates	5,877,693	-	4,144,127	-
Negotiable instruments of deposit	3,486,837	-	3,486,697	-
Other Government securities	641,941	-	565,079	-
Cagamas bonds	1,012,411	-	834,976	-
Khazanah bonds	276,214	-	267,499	-
	<u>12,562,668</u>	<u>-</u>	<u>10,565,950</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	2,606,070	-	2,582,382	-
Foreign currency bonds outside Malaysia	2,158,517	-	2,158,517	-
Unquoted securities:				
Malaysian Government sukuk	1,072,232	-	907,167	-
Corporate bonds and sukuk	6,999,570	-	6,089,841	-
Shares in Malaysia	32,534	-	32,534	-
Foreign currency bonds in Malaysia	1,094,594	-	1,094,594	-
Foreign currency bonds outside Malaysia	837,499	-	837,499	-
Total financial investments at FVOCI	<u><u>27,363,684</u></u>	<u><u>-</u></u>	<u><u>24,268,484</u></u>	<u><u>-</u></u>

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

	<b>The Group</b>	<b>The Bank</b>
	<b>31/12/2018</b>	<b>31/12/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>12-Month ECL Stage 1</b>		
At 1 July	-	-
Effect of adopting MFRS 9	6,881	6,838
At 1 July, as restated	6,881	6,838
New financial assets originated or purchased	886	848
Financial assets derecognised	(361)	(355)
Changes due to change in credit risk	(351)	(343)
Exchange differences	40	39
At 31 December	<u><u>7,095</u></u>	<u><u>7,027</u></u>

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

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

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2018 RM'000	30/06/2018 RM'000	31/12/2018 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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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	53,991	-	53,991	-
Malaysian Government securities	800,669	-	800,669	-
Malaysian Government investment certificates	9,514,339	-	6,919,592	-
Khazanah bonds	298,607	-	262,898	-
Other Government securities	394,052	-	304,313	-
	<u>11,061,658</u>	<u>-</u>	<u>8,341,463</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	816,101	-	816,101	-
Foreign currency bonds outside Malaysia	150,407	-	150,407	-
Unquoted securities:				
Malaysian Government sukuk	3,053,516	-	2,090,930	-
Corporate bonds and sukuk	1,982,048	-	1,586,432	-
Total financial investments at amortised cost	<u>17,063,730</u>	<u>-</u>	<u>12,985,333</u>	<u>-</u>

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

	<u>The Group</u>	<u>The Bank</u>
	<u>31/12/2018</u>	<u>31/12/2018</u>
	<u>RM'000</u>	<u>RM'000</u>
<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	184	184
Changes due to change in credit risk	1	-
Exchange differences	(2)	-
At 31 December	<u>1,013</u>	<u>1,011</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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	3,622,758	3,794,584	3,064,781	3,251,673
Term loans/financing:				
- Housing and shop loans/financing	73,216,191	70,332,643	58,807,207	56,771,907
- Syndicated/term loans or financing	10,640,597	9,953,665	8,333,815	7,902,161
- Hire purchase receivables	17,613,904	17,229,742	14,010,093	13,757,021
- Other term loans/financing	7,145,175	7,472,341	4,679,383	5,272,900
Credit/charge card receivables	3,606,998	3,899,183	3,606,998	3,899,183
Bills receivable	943,462	996,560	830,463	880,816
Trust receipts	381,527	328,628	275,724	283,561
Claims on customers under acceptance credits	7,739,602	7,839,208	7,164,709	7,301,016
Revolving credit	6,172,709	6,627,619	5,012,515	5,169,171
Staff loans/financing	141,781	146,027	136,530	141,341
Other loans/financing	402,996	448,360	402,992	448,356
Gross loans, advances and financing	<u>131,627,700</u>	<u>129,068,560</u>	<u>106,325,210</u>	<u>105,079,106</u>
Fair value changes arising from fair value hedges	(1,786)	(2,540)	(1,786)	(2,540)
Unamortised fair value changes arising from terminated fair value hedges	(6)	(13)	-	-
Allowance for impaired loans, advances and financing:				
- Stage 1 - 12 Months ECL	(377,212)	-	(322,528)	-
- Stage 2 - Lifetime ECL not credit impaired	(484,058)	-	(384,478)	-
- Stage 3 - Lifetime ECL credit impaired	(414,124)	-	(338,842)	-
- Collective assessment allowance	-	(804,726)	-	(621,694)
- Individual assessment allowance	-	(202,176)	-	(179,969)
Total net loans, advances and financing	<u>130,350,514</u>	<u>128,059,105</u>	<u>105,277,576</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 RM169,385,000 (2018: RM177,874,000) and RM169,385,000 (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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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	1,031,895	597,185	852,562	248,848
Domestic business enterprises:				
- small and medium enterprises	21,045,334	20,480,084	17,432,206	17,433,561
- others	17,447,319	16,377,193	14,601,381	13,226,492
Government and statutory bodies	11,460	19,374	23	7,803
Individuals	90,176,146	84,422,878	71,763,140	67,261,406
Other domestic entities	248,129	269,937	221,229	207,752
Foreign entities	1,667,417	6,901,909	1,454,669	6,693,244
Gross loans, advances and financing	<u>131,627,700</u>	<u>129,068,560</u>	<u>106,325,210</u>	<u>105,079,106</u>

A14b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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	1,749,440	2,583,078	1,148,532	1,769,012
- Hire purchase receivables	17,350,345	16,916,260	13,748,446	13,444,246
- Other fixed rate loans/financing	6,334,479	6,676,788	4,799,815	5,280,238
Variable rate:				
- Base rate/base lending rate plus	89,265,428	86,079,824	73,015,776	71,114,897
- Cost plus	16,381,213	16,407,547	13,612,641	13,470,713
- Other variables rates	546,795	405,063	-	-
Gross loans, advances and financing	<u>131,627,700</u>	<u>129,068,560</u>	<u>106,325,210</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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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	621,851	382,505	534,944	381,331
Purchase of transport vehicles	17,247,618	16,893,592	13,598,365	13,370,936
Purchase of landed properties				
- residential	64,318,344	61,370,372	51,013,298	48,915,309
- non-residential	15,558,381	15,553,253	13,720,299	13,925,835
Purchase of fixed assets (excluding landed properties)	785,615	546,924	608,805	482,511
Personal use	3,384,668	3,248,454	2,115,956	2,170,175
Credit card	3,606,998	3,899,183	3,606,998	3,899,183
Construction	1,682,040	1,552,918	1,082,875	1,024,050
Mergers and acquisition	348,706	362,600	161,925	179,269
Working capital	22,731,638	23,850,860	18,980,745	19,761,563
Other purpose	1,341,841	1,407,899	901,000	968,944
Gross loans, advances and financing	<u>131,627,700</u>	<u>129,068,560</u>	<u>106,325,210</u>	<u>105,079,106</u>

A14d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	124,990,239	122,542,932	101,348,069	99,981,335
Singapore	4,977,141	5,097,771	4,977,141	5,097,771
Vietnam	546,795	405,063	-	-
Cambodia	1,113,525	1,022,794	-	-
Gross loans, advances and financing	<u>131,627,700</u>	<u>129,068,560</u>	<u>106,325,210</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>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Within one year	25,260,560	26,653,901	22,556,010	23,793,306
One year to less than three years	6,278,032	6,007,978	5,139,179	4,929,344
Three years to less than five years	9,309,871	9,069,429	7,140,845	6,997,601
Five years and more	90,779,237	87,337,252	71,489,176	69,358,855
Gross loans, advances and financing	<u>131,627,700</u>	<u>129,068,560</u>	<u>106,325,210</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>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Purchase of securities	534	1,256	534	1,256
Purchase of transport vehicles	127,306	134,022	97,511	101,223
Purchase of landed properties				
- residential	362,567	352,900	277,206	253,976
- non-residential	161,935	170,961	155,920	165,421
Purchase of fixed assets (excluding landed properties)	5,464	3,465	5,464	3,465
Personal use	43,667	46,682	28,606	29,519
Credit card	33,755	39,562	33,755	39,562
Construction	8,227	3,530	6,685	2,963
Working capital	298,152	369,990	272,478	306,284
Other purpose	5,806	3,134	5,552	2,564
Gross impaired loans, advances and financing	<u>1,047,413</u>	<u>1,125,502</u>	<u>883,711</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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,030,113	1,112,810	873,694	904,839
Singapore	10,017	1,394	10,017	1,394
Vietnam	3,636	3,937	-	-
Cambodia	3,647	7,361	-	-
Gross impaired loans, advances and financing	<u>1,047,413</u>	<u>1,125,502</u>	<u>883,711</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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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	806,546	1,663,447	623,345	1,278,452
Reclassified as non-impaired during the financial year	(443,956)	(889,043)	(319,542)	(652,719)
Amount written back in respect of recoveries	(290,124)	(387,313)	(205,210)	(329,643)
Amount written off	(152,272)	(460,834)	(122,593)	(404,026)
Exchange difference	1,717	(4,195)	1,478	(3,813)
At 31 December	<u>1,047,413</u>	<u>1,125,502</u>	<u>883,711</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 31 December 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	(50,818)	(67,888)	118,706	-
Transfer to Stage 1	12,144	(12,067)	(77)	-
Transfer to Stage 2	(63,039)	111,309	(48,270)	-
Transfer to Stage 3	77	(167,130)	167,053	-
New financial assets originated	28,817	2,121	38	30,976
Financial assets derecognised	(17,721)	(19,830)	(19,651)	(57,202)
Changes due to change in credit risk	(3,796)	76,821	24,236	97,261
Modifications to contractual cash flows				
of financial asset	-	-	2,848	2,848
Amount written off	-	-	(135,803)	(135,803)
Exchange difference	430	222	1,553	2,205
Other movements	-	-	(36,948)	(36,948)
At 31 December	<u>377,212</u>	<u>484,058</u>	<u>414,124</u>	<u>1,275,394</u>

<b>The Bank</b> <b>At 31 December 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	(43,154)	(56,739)	99,893	-
Transfer to Stage 1	11,189	(11,115)	(74)	-
Transfer to Stage 2	(54,404)	89,081	(34,677)	-
Transfer to Stage 3	61	(134,705)	134,644	-
New financial assets originated	12,056	1,699	-	13,755
Financial assets derecognised	(8,381)	(12,923)	(11,095)	(32,399)
Changes due to change in credit risk	(7,668)	59,286	10,777	62,395
Modifications to contractual cash flows				
of financial asset	-	-	2,196	2,196
Amount written off	-	-	(107,682)	(107,682)
Exchange difference	239	215	1,541	1,995
Other movements	-	-	(32,345)	(32,345)
At 31 December	<u>322,528</u>	<u>384,478</u>	<u>338,842</u>	<u>1,045,848</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>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</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 31 December	-	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 31 December	-	202,176	-	179,969

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

**A15 Other assets**

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2018 RM'000	30/06/2018 RM'000	31/12/2018 RM'000	30/06/2018 RM'000
Foreclosed properties	20,123	46	9,240	46
Sundry debtors and other prepayments	170,158	204,716	167,232	162,716
Treasury related receivables	168,603	65,547	168,603	65,547
Cash collateral pledged for derivative transactions	257,623	310,933	257,623	310,933
Other receivables	105,990	198,827	94,545	147,454
	<u>722,497</u>	<u>780,069</u>	<u>697,243</u>	<u>686,696</u>

**A16 Investment in associated companies**

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2018 RM'000	30/06/2018 RM'000	31/12/2018 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	2,537,128	2,225,589	-	-
Cumulative share of changes in other comprehensive income	5,492	(250)	-	-
Exchange fluctuation reserve	431,398	487,421	-	-
	<u>3,937,006</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 RM64,401,000 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>	
	<u>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<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 RM64,401,000 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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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	92,568,306	88,222,375	74,567,242	71,745,421
Negotiable instruments of deposits	8,101,533	6,892,073	6,504,545	5,394,717
Short-term placements	17,361,776	16,950,886	14,804,266	14,687,624
	<u>118,031,615</u>	<u>112,065,334</u>	<u>95,876,053</u>	<u>91,827,762</u>
Demand deposits	23,018,638	23,638,473	20,016,440	20,232,702
Saving deposits	17,294,365	17,563,850	14,360,416	14,657,220
Others	939,363	979,288	796,094	847,170
	<u>159,283,981</u>	<u>154,246,945</u>	<u>131,049,003</u>	<u>127,564,854</u>
<b>At fair value through profit and loss</b>				
Structured deposits linked to interest rate derivatives	3,449,955	3,334,428	2,428,903	2,132,691
Fair value changes arising from designation at fair value through profit or loss *	(134,641)	(167,278)	(101,062)	(114,120)
	<u>3,315,314</u>	<u>3,167,150</u>	<u>2,327,841</u>	<u>2,018,571</u>
	<u>162,599,295</u>	<u>157,414,095</u>	<u>133,376,844</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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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	7,928,557	3,977,104	5,871,683	2,016,899
Business enterprises	67,499,011	62,744,665	52,789,351	48,300,831
Individuals	84,799,926	88,159,470	72,716,560	77,108,346
Others	2,371,801	2,532,856	1,999,250	2,157,349
	<u>162,599,295</u>	<u>157,414,095</u>	<u>133,376,844</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>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Due within six months	93,836,813	83,581,278	76,418,469	67,728,986
More than six months to one year	22,234,925	26,159,087	17,718,719	21,998,104
More than one year to five years	1,949,797	2,324,969	1,728,785	2,100,672
	<u>118,031,615</u>	<u>112,065,334</u>	<u>95,876,053</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>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Licensed banks	9,855,910	7,084,745	10,011,256	7,095,827
Licensed investment banks	370,106	150,027	270,106	150,027
Other financial institutions	1,810	2,662	-	-
	<u>10,227,826</u>	<u>7,237,434</u>	<u>10,281,362</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>10,227,826</u>	<u>7,237,434</u>	<u>10,281,362</u>	<u>7,245,854</u>

**A20 Other liabilities**

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/12/2018</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Zakat	525	350	-	-
Post employment benefits obligation - defined contribution plan	298	297	298	297
Loan advance payment	3,285,384	3,229,766	2,633,165	2,586,339
Treasury and cheque clearing	147,324	50,106	144,513	50,106
Treasury related payables	106,084	231,223	106,084	231,223
Sundry creditors and accruals	359,702	531,979	273,834	494,991
Provision for bonus and staff related expenses	192,605	176,617	185,523	168,984
Others	468,512	499,108	347,373	400,229
	<u>4,560,434</u>	<u>4,719,446</u>	<u>3,690,790</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>31/12/2018</u>	<u>30/06/2018</u>	<u>31/12/2018</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		1,479	1,664	1,479	1,664
		<u>1,501,479</u>	<u>1,501,664</u>	<u>1,501,479</u>	<u>1,501,664</u>
Less: Unamortised discounts		(45)	(91)	(45)	(91)
		<u>1,501,434</u>	<u>1,501,573</u>	<u>1,501,434</u>	<u>1,501,573</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	400,000	400,000	-	-
Add: Profit payable		789	684	-	-
		<u>400,789</u>	<u>400,684</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(35)	(54)	-	-
		<u>400,754</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		925	794	925	794
		<u>1,000,925</u>	<u>1,000,794</u>	<u>1,000,925</u>	<u>1,000,794</u>
Less: Unamortised discounts		(43)	(89)	(43)	(89)
		<u>1,000,882</u>	<u>1,000,705</u>	<u>1,000,882</u>	<u>1,000,705</u>
		<u>2,903,070</u>	<u>2,902,908</u>	<u>2,502,316</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**

	<b><u>The Group and The Bank</u></b>	
	<b>31/12/2018</b>	<b>30/06/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
RM400 million Multi-currency Additional Tier-1 capital securities at par	400,000	400,000
Add: Interest payable	1,799	1,799
	401,799	401,799
Less: Unamortised discounts	(542)	(607)
	401,257	401,192

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities ("capital securities") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, Hong Leong Financial Group Berhad. The capital securities, which qualify as Additional Tier 1 capital for the Bank, carry a distribution rate of 5.13% per annum. The capital securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe the RM400.0 million Additional Tier 1 perpetual subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

**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>31/12/2018</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	12,545	12,545
	<u>512,545</u>	<u>512,545</u>
Less: Unamortised discounts	(1,478)	(2,439)
Fair value adjustments on completion of business combination accounting	842	2,246
	<u><u>511,909</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**

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Loan, advances and financing	1,207,873	1,158,206	2,408,479	2,318,675
Money at call and deposit placements with financial institutions	55,164	43,080	115,420	88,090
Securities purchased under resale agreements	-	1,090	-	2,038
Financial assets at FVTPL	96,016	-	191,569	-
Financial assets held-for-trading	-	100,417	-	195,167
Financial investments at FVOCI	218,471	-	417,620	-
Financial investments available-for-sale	-	191,979	-	366,270
Financial investments at amortised cost	115,952	-	226,862	-
Financial investments held-to-maturity	-	91,140	-	186,945
Others	2,993	514	3,869	1,445
	<u>1,696,469</u>	<u>1,586,426</u>	<u>3,363,819</u>	<u>3,158,630</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>2,294</u>	<u>13,024</u>	<u>7,786</u>	<u>27,082</u>
--	--------------	---------------	--------------	---------------

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Loan, advances and financing	1,181,833	1,138,313	2,358,230	2,279,314
Money at call and deposit placements with financial institutions	54,711	43,075	115,611	87,993
Securities purchased under resale agreements	-	1,090	-	2,038
Financial assets at FVTPL	96,016	-	191,569	-
Financial assets held-for-trading	-	100,417	-	195,249
Financial investments at FVOCI	219,152	-	417,544	-
Financial investments available-for-sale	-	191,086	-	364,286
Financial investments at amortised cost	114,739	-	224,479	-
Financial investments held-to-maturity	-	89,904	-	184,448
Others	2,993	386	3,777	1,240
	<u>1,669,444</u>	<u>1,564,271</u>	<u>3,311,210</u>	<u>3,114,568</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>2,294</u>	<u>13,024</u>	<u>7,786</u>	<u>27,082</u>
--	--------------	---------------	--------------	---------------

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

**A25 Interest expense**

	<b>2nd Quarter Ended</b>		<b>Cumulative Six Months Ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</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	71,686	42,142	139,553	74,262
Deposits from customers	755,416	677,150	1,500,730	1,353,617
Short-term placements	116,552	81,276	226,002	169,833
Tier 2 subordinated bonds	29,225	23,164	58,467	46,343
Multi-currency Additional Tier-1 capital securities	5,163	2,625	10,327	2,625
Innovative Tier 1 capital securities	10,199	9,488	20,351	18,927
Recourse obligation on loans sold to Cagamas	1,916	1,916	3,832	3,832
	<u>990,157</u>	<u>837,761</u>	<u>1,959,262</u>	<u>1,669,439</u>

	<b>2nd Quarter Ended</b>		<b>Cumulative Six Months Ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</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	75,361	44,194	147,001	78,833
Deposits from customers	744,849	666,034	1,478,960	1,330,769
Short-term placements	116,552	81,276	226,002	169,833
Tier 2 subordinated bonds	29,225	23,164	58,467	46,343
Multi-currency Additional Tier-1 capital securities	5,205	1,810	10,410	1,810
Innovative Tier 1 capital securities	10,199	9,488	20,351	18,927
Recourse obligation on loans sold to Cagamas	1,916	1,916	3,832	3,832
	<u>983,307</u>	<u>827,882</u>	<u>1,945,023</u>	<u>1,650,347</u>

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

**A26 Net income from Islamic Banking business**

	<b>2nd Quarter Ended</b>		<b>Cumulative Six Months Ended</b>	
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Income derived from investment of depositors' funds and others	356,728	311,504	711,022	617,654
of which Finance income	356,167	312,937	704,667	613,500
of which other operating income	561	(1,433)	6,355	4,154
Income derived from investment of shareholders' funds	45,447	37,834	86,954	73,005
of which Finance income	30,972	27,212	61,275	53,348
of which other operating income	14,475	10,622	25,679	19,657
Income attributable to depositors	(229,431)	(192,505)	(454,156)	(374,016)
	172,744	156,833	343,820	316,643

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

**A27 Other operating income**

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	42,161	43,563	87,872	87,962
Service charges and fees	16,057	17,972	26,746	30,569
Guarantee fees	4,931	3,619	8,045	6,437
Credit card related fees	67,104	59,809	122,259	115,238
Corporate advisory fees	1,114	108	1,169	375
Commitment fees	8,076	8,384	16,224	16,972
Fee on loans, advances and financing	10,119	10,045	19,244	19,027
Other fee income	7,602	7,043	13,279	13,976
	<u>157,164</u>	<u>150,543</u>	<u>294,838</u>	<u>290,556</u>
(b) <u>(Loss)/gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	6,795	-	43,270	-
Net gain from sale of financial assets held-for-trading	-	4,040	-	15,085
Net loss from sale of derivative financial instruments	(120,188)	(19,363)	(110,591)	(24,440)
Net gain from sale of financial investments at FVOCI	9,626	-	23,721	-
Net gain from sale of financial investments available-for-sale	-	31,360	-	72,032
	<u>(103,767)</u>	<u>16,037</u>	<u>(43,600)</u>	<u>62,677</u>
(c) <u>Gross dividend income from:</u>				
Financial assets at FVTPL	76,936	-	143,264	-
Financial investments at FVOCI	-	-	203	-
Financial investments available-for-sale	-	71,312	-	137,372
	<u>76,936</u>	<u>71,312</u>	<u>143,467</u>	<u>137,372</u>

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

**A27 Other operating income** (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets at FVTPL	920	-	16,383	-
- Financial assets held-for-trading	-	(490)	-	(2,705)
- Derivatives financial instruments	64,468	57,859	49,864	67,974
	<u>65,388</u>	<u>57,369</u>	<u>66,247</u>	<u>65,269</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(89)</u>	<u>(271)</u>	<u>(181)</u>	<u>(445)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(10)</u>	<u>(35)</u>	<u>(48)</u>	<u>(36)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	42,441	21,095	77,719	32,993
Rental income	2,852	1,898	5,346	3,563
Gain on disposal of property and equipment	106	1,307	283	1,762
Net gain on divestment of joint venture	17,864	-	90,106	-
Other non-operating income	4,229	3,802	8,641	7,640
	<u>67,492</u>	<u>28,102</u>	<u>182,095</u>	<u>45,958</u>
Total other operating income	<u>263,114</u>	<u>323,057</u>	<u>642,818</u>	<u>601,351</u>

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

**A27 Other operating income** (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<b>(a) <u>Fee income:</u></b>				
Commissions	41,210	42,367	86,247	85,976
Service charges and fees	15,587	17,799	25,991	30,272
Guarantee fees	4,888	3,602	7,974	6,392
Credit card related fees	67,104	59,809	122,259	115,238
Corporate advisory fees	1,114	108	1,169	375
Commitment fees	7,834	8,238	15,769	16,658
Fee on loans, advances and financing	9,226	8,861	17,379	16,906
Other fee income	7,567	6,988	13,182	13,879
	<u>154,530</u>	<u>147,772</u>	<u>289,970</u>	<u>285,696</u>
<b>(b) <u>(Loss)/gain arising from sale of financial assets:</u></b>				
Net gain from sale of financial assets at FVTPL	6,795	-	43,270	-
Net gain from sale of financial assets held-for-trading	-	4,040	-	15,085
Net loss from sale of derivative financial instruments	(120,188)	(19,363)	(110,591)	(24,440)
Net gain from sale of financial investments at FVOCI	9,626	-	23,721	-
Net gain from sale of financial investments available-for-sale	-	31,360	-	71,813
	<u>(103,767)</u>	<u>16,037</u>	<u>(43,600)</u>	<u>62,458</u>
<b>(c) <u>Gross dividend income from:</u></b>				
Associated company	3,976	-	3,976	-
Investment in joint venture	-	-	-	4,882
Financial assets at FVTPL	76,936	-	143,264	-
Financial investments at FVOCI	-	-	203	-
Financial investments available-for-sale	-	71,312	-	137,372
	<u>80,912</u>	<u>71,312</u>	<u>147,443</u>	<u>142,254</u>

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

**A27 Other operating income** (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain on revaluation of:</u>				
- Financial assets at FVTPL	920	-	16,383	-
- Financial assets held-for-trading	-	(490)	-	(2,705)
- Derivatives financial instruments	64,468	57,859	49,864	67,974
	<u>65,388</u>	<u>57,369</u>	<u>66,247</u>	<u>65,269</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(89)</u>	<u>(271)</u>	<u>(181)</u>	<u>(445)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(10)</u>	<u>(35)</u>	<u>(48)</u>	<u>(36)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	41,705	20,501	76,503	32,203
Rental income	1,616	1,173	3,178	2,838
Gain on disposal of property and equipment	106	1,307	283	1,762
Net gain on divestment of joint venture	8,946	-	138,101	-
Other non-operating income	3,954	3,662	8,218	7,381
	<u>56,327</u>	<u>26,643</u>	<u>226,283</u>	<u>44,184</u>
Total other operating income	<u>253,291</u>	<u>318,827</u>	<u>686,114</u>	<u>599,380</u>

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

**A28 Other operating expenses**

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	250,668	261,181	519,183	512,997
- Medical expenses	8,114	7,910	12,709	15,350
- Training and convention expenses	5,678	7,627	12,641	13,341
- Staff welfare	2,160	2,289	4,357	4,002
- Others	11,952	6,466	23,019	12,753
	<u>278,572</u>	<u>285,473</u>	<u>571,909</u>	<u>558,443</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	32,985	26,845	65,358	52,953
- Amortisation of intangible assets	13,519	18,856	26,990	37,795
- Rental of premises	14,665	20,172	30,048	40,048
- Information technology expenses	44,376	40,115	84,992	80,056
- Security services	6,644	4,791	13,820	12,814
- Electricity, water and sewerage	6,063	6,837	12,148	13,643
- Hire of plant and machinery	3,076	3,119	6,120	6,323
- Others	7,031	7,123	17,130	15,677
	<u>128,359</u>	<u>127,858</u>	<u>256,606</u>	<u>259,309</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	2,628	8,662	7,827	17,846
- Sales commission and credit card related fees	33,061	31,219	64,871	56,536
- Others	5,640	4,124	10,208	7,664
	<u>41,329</u>	<u>44,005</u>	<u>82,906</u>	<u>82,046</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,800	4,084	7,754	8,133
- Stationery and printing expenses	3,449	3,471	6,994	6,712
- Professional fees	22,010	18,932	43,591	42,419
- Insurance fees	11,200	11,306	21,338	21,340
- Stamp, postage and courier	3,143	3,233	6,061	7,362
- Travelling and transport expenses	1,113	1,004	2,258	1,921
- Registration and license fees	2,259	2,260	4,505	4,548
- Brokerage and commission	1,922	1,964	3,790	3,421
- Credit card fees	10,484	10,985	21,001	20,550
- Others	3,219	1,267	7,308	6,783
	<u>62,599</u>	<u>58,506</u>	<u>124,600</u>	<u>123,189</u>
	<u>510,859</u>	<u>515,842</u>	<u>1,036,021</u>	<u>1,022,987</u>



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

**A28 Other operating expenses (continued)**

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
<b><u>Bank</u></b>				
<b><u>Personnel costs</u></b>				
- Salaries, allowances and bonuses	204,539	220,111	427,332	429,662
- Medical expenses	6,848	6,754	10,501	13,230
- Training and convention expenses	4,730	6,208	10,680	11,060
- Staff welfare	1,804	1,946	3,703	3,377
- Others	10,096	4,977	19,194	9,880
	228,017	239,996	471,410	467,209
<b><u>Establishment costs</u></b>				
- Depreciation of property and equipment	29,026	25,136	56,942	49,533
- Amortisation of intangible assets	12,421	17,822	24,831	35,719
- Rental of premises	17,694	24,480	37,049	45,811
- Information technology expenses	40,652	37,432	78,007	74,474
- Security services	5,240	3,548	10,908	10,009
- Electricity, water and sewerage	5,077	4,951	10,141	10,377
- Hire of plant and machinery	2,936	2,952	5,819	5,993
- Others	3,766	2,885	8,537	8,737
	116,812	119,206	232,234	240,653
<b><u>Marketing expenses</u></b>				
- Advertisement and publicity	2,545	7,850	6,449	16,444
- Sales commission and credit card related fees	33,061	31,219	64,871	56,536
- Others	4,195	3,607	7,828	6,581
	39,801	42,676	79,148	79,561
<b><u>Administration and general expenses</u></b>				
- Teletransmission expenses	3,689	3,977	7,570	7,940
- Stationery and printing expenses	3,293	3,254	6,624	6,225
- Professional fees	21,673	17,908	43,131	40,655
- Insurance fees	9,970	9,935	18,841	18,722
- Stamp, postage and courier	3,082	3,168	5,941	7,220
- Travelling and transport expenses	774	718	1,674	1,397
- Registration and license fees	2,006	2,012	4,011	4,049
- Brokerage and commission	995	955	2,035	1,666
- Credit card fees	10,484	10,985	21,001	20,550
- Others	4,833	477	9,133	5,421
	60,799	53,389	119,961	113,845
	445,429	455,267	902,753	901,268

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

**A29 (Write back of)/allowance for impairment losses on loans, advances and financing**

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
(Write back of)/allowance for impairment on loans, advances and financing:				
- expected credit losses on loans, advances and financing	(1,740)	-	73,883	-
- collective assessment allowance	-	62,924	-	155,873
- individual assessment allowance	-	14,572	-	16,093
Credit impaired/impaired loans, advances and financing:				
- written off	4,661	5,288	9,091	10,579
- recovered from bad debt written off	(61,059)	(72,308)	(122,345)	(128,656)
	<u>(58,138)</u>	<u>10,476</u>	<u>(39,371)</u>	<u>53,889</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
(Write back of)/allowance for impairment on loans, advances and financing:				
- expected credit losses on loans, advances and financing	(10,852)	-	45,947	-
- collective assessment allowance	-	48,907	-	118,228
- individual assessment allowance	-	9,166	-	4,195
Credit impaired/impaired loans, advances and financing:				
- written off	4,055	4,418	7,825	8,854
- recovered from bad debt written off	(55,002)	(48,828)	(108,830)	(99,351)
	<u>(61,799)</u>	<u>13,663</u>	<u>(55,058)</u>	<u>31,926</u>

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

**A30 Allowance for/(write back of) impairment losses on financial investments**

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Expected credit losses on:				
- Financial investments at FVOCI	480	-	174	-
- Financial investments at amortised cost	(65)	-	185	-
- Other receivables	(225)		(225)	-
Financial investments held-to-maturity				
- Amount written back in respect of recoveries	-	(555)	-	(556)
	<u>190</u>	<u>(555)</u>	<u>134</u>	<u>(556)</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Expected credit losses on:				
- Financial investments at FVOCI	449	-	150	-
- Financial investments at amortised cost	(67)	-	184	-
- Other receivables	(225)		(225)	-
Financial investments held-to-maturity				
- Amount written back in respect of recoveries	-	(555)	-	(556)
	<u>157</u>	<u>(555)</u>	<u>109</u>	<u>(556)</u>

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

**A31 (Write back of)/allowance for impairment losses on other financial assets**

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Expected credit losses on:				
- Cash and short-term funds	278	-	1,080	-
- Deposits and placements with banks and other financial institutions	(609)	-	(523)	-
	<u>(331)</u>	<u>-</u>	<u>557</u>	<u>-</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Expected credit losses on:				
- Cash and short-term funds	(545)	-	-	-
- Deposits and placements with banks and other financial institutions	(464)	-	954	-
	<u>(1,009)</u>	<u>-</u>	<u>954</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</b>	<b>Financial Year Ended</b>	<b>Financial Period Ended</b>	<b>Financial Year Ended</b>
	<b>31/12/2018</b>	<b>30/06/2018</b>	<b>31/12/2018</b>	<b>30/06/2018</b>
<b>Before deducting proposed dividends</b>				
CET I capital ratio	12.911%	13.113%	12.524%	12.545%
Tier I capital ratio	13.578%	13.797%	12.966%	12.997%
Total capital ratio	<u>16.577%</u>	<u>16.752%</u>	<u>16.316%</u>	<u>16.301%</u>
<b>After deducting proposed dividends</b>				
CET I capital ratio	12.668%	12.614%	12.234%	11.949%
Tier I capital ratio	13.335%	13.298%	12.676%	12.401%
Total capital ratio	<u>16.334%</u>	<u>16.253%</u>	<u>16.026%</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 31/12/2018 RM'000</b>	<b>Financial Year Ended 30/06/2018 RM'000</b>	<b>Financial Period Ended 31/12/2018 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	15,604,193	15,184,533	11,559,693	11,212,525
Other reserves	722,621	868,134	213,860	298,837
Less: Treasury shares	(732,267)	(732,267)	(732,267)	(732,267)
Less: Deferred tax assets	(52,510)	(53,067)	(39,507)	(47,908)
Less: Other intangible assets	(133,286)	(152,541)	(118,246)	(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	(3,937,006)	(3,830,517)	(2,727,376)	(2,778,569)
<b>Total CET I capital</b>	<b>17,379,496</b>	<b>17,192,026</b>	<b>14,123,673</b>	<b>13,782,968</b>
<b>Additional Tier I capital</b>				
Multi-currency Additional Tier-1 capital securities	399,458	399,393	399,458	399,393
Innovative Tier I capital securities	498,522	497,562	498,522	497,562
<b>Additional Tier I capital before regulatory adjustments</b>	<b>897,980</b>	<b>896,955</b>	<b>897,980</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>897,980</b>	<b>896,955</b>	<b>497,980</b>	<b>496,955</b>
<b>Total Tier I capital</b>	<b>18,277,476</b>	<b>18,088,981</b>	<b>14,621,653</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>	1,537,018	-	1,277,812	-
Collective assessment allowance <sup>^</sup> and regulatory reserves <sup>#</sup>	-	1,375,082	-	1,130,670
Subordinated bonds	2,499,911	2,499,820	2,499,911	2,499,820
<b>Tier II capital before regulatory adjustments</b>	<b>4,036,929</b>	<b>3,874,902</b>	<b>3,777,723</b>	<b>3,630,490</b>
Less : Investment in subsidiary companies/ associated company/joint venture	-	-	-	-
<b>Total Tier II capital</b>	<b>4,036,929</b>	<b>3,874,902</b>	<b>3,777,723</b>	<b>3,630,490</b>
<b>Total capital</b>	<b>22,314,405</b>	<b>21,963,883</b>	<b>18,399,376</b>	<b>17,910,413</b>

<sup>#</sup> Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM825,134,000 (2018: RM741,694,000) and RM685,741,000 (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 31/12/2018 RM'000</b>	<b>Financial Year Ended 30/06/2018 RM'000</b>	<b>Financial Period Ended 31/12/2018 RM'000</b>	<b>Financial Year Ended 30/06/2018 RM'000</b>
Credit risk	122,961,455	118,853,998	102,224,976	98,504,099
Market risk	3,146,708	3,850,444	3,304,482	4,140,291
Operational risk	8,498,541	8,403,939	7,239,511	7,226,134
<b>Total RWA</b>	<b>134,606,704</b>	<b>131,108,381</b>	<b>112,768,969</b>	<b>109,870,524</b>

The Bank and its Islamic subsidiary, HLISB's profit after tax for the half year ended 31 December 2018, had been subjected to a limited review by our external auditors. As such the Bank's and HLISB's profit after tax for the half year ended 31 December 2018 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios accordingly.

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

	<b>Hong Leong Islamic Bank Berhad</b>	
	<b>Financial Period Ended 31/12/2018</b>	<b>Financial Year Ended 30/06/2018</b>
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.930%	10.461%
Tier I capital ratio	12.836%	12.404%
Total capital ratio	<u>15.885%</u>	<u>15.477%</u>
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.834%	10.461%
Tier I capital ratio	12.741%	12.404%
Total capital ratio	<u>15.789%</u>	<u>15.477%</u>

**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 31/12/2018**

	<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	698,014	163,683	261,165	64,946	(42,178)	(3,460)	1,142,170
Inter-segment revenue	(59,615)	129,764	(183,923)	-	113,774	-	-
Segment revenue	<u>638,399</u>	<u>293,447</u>	<u>77,242</u>	<u>64,946</u>	<u>71,596</u>	<u>(3,460)</u>	<u>1,142,170</u>
Segment profit before taxation	302,993	226,034	52,959	11,733	101,907	(6,036)	689,590
Share of profit after tax of equity accounted associated companies				133,611			133,611
Profit before taxation							<u>823,201</u>
Taxation							(135,955)
Profit after taxation							<u><u>687,246</u></u>



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

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

**Financial period ended 31/12/2018**

	<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	1,349,161	344,940	586,736	124,730	53,982	(68,354)	2,391,195
Inter-segment revenue	(83,636)	240,015	(379,058)	-	222,679	-	-
Segment revenue	<u>1,265,525</u>	<u>584,955</u>	<u>207,678</u>	<u>124,730</u>	<u>276,661</u>	<u>(68,354)</u>	<u>2,391,195</u>
Segment profit before taxation	569,812	435,923	155,670	14,937	289,773	(72,261)	1,393,854
Share of profit after tax of equity accounted associated companies				280,482			280,482
Profit before taxation							1,674,336
Taxation							(280,175)
Profit after taxation							<u>1,394,161</u>
Segment assets	93,279,797	30,786,301	62,465,742	15,243,806	-	-	201,775,646
Unallocated assets							10,227,335
Total assets							<u>212,002,981</u>

**Corresponding quarter ended 31/12/2017**

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

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

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

Corresponding financial period ended 31/12/2017

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

**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 31 December 2018.

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

There were no changes in the composition of the Group for the current financial period ended 31 December 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	
	31/12/2018 RM'000	30/06/2018 RM'000	31/12/2018 RM'000	30/06/2018 RM'000
<b>Principal amount</b>				
Direct credit substitutes	102,515	108,341	49,192	50,361
Certain transaction related contingent items	1,374,121	1,286,782	1,237,847	1,165,364
Short-term self liquidating trade related contingencies	803,122	831,871	769,954	800,721
Irrevocable commitments to extend credit:				
- maturity more than one year	16,869,048	14,301,856	12,494,997	10,410,497
- maturity less than one year	18,363,791	16,074,688	15,549,095	14,108,380
Foreign exchange related contracts:				
- less than one year	40,396,456	42,895,473	38,497,889	41,893,038
- one year to less than five years	2,618,308	2,640,932	2,618,308	2,640,932
- five years and above	219,061	517,408	219,061	517,408
Interest rate related contracts:				
- less than one year	36,293,048	28,281,796	36,793,048	28,281,796
- one year to less than five years	23,571,058	46,342,804	25,801,058	48,687,804
- five years and above	7,013,398	6,839,805	5,998,398	6,389,805
Equity related contracts:				
- less than one year	666,660	306,258	666,660	306,258
- one year to less than five years	27,991	503,502	27,991	503,502
Credit related contracts:				
- five years and above	19,498	-	19,498	-
Unutilised credit card lines	7,416,026	6,908,565	7,416,026	6,908,565
<b>Total</b>	<b>155,754,101</b>	<b>167,840,081</b>	<b>148,159,022</b>	<b>162,664,431</b>

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

**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.

**(a) Connected parties exposures**

	The Group		The Bank	
	31/12/2018 RM'000	30/06/2018 RM'000	31/12/2018 RM'000	30/06/2018 RM'000
Aggregate value of outstanding credit exposures with connected parties	2,253,338	2,340,089	2,229,654	2,317,297
Outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.51%	1.61%	1.85%	1.96%
Outstanding credit exposures with connected parties which is non-performing or in default as a proportion of total credit exposures (%)	0.0003%	0.0002%	0.0003%	0.0003%

**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 31/12/2018</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	-	4,481,538	-	4,481,538
- Quoted securities	7,748,812	-	-	7,748,812
- Unquoted securities	-	391,263	434,035	825,298
Financial investments at FVOCI				
- Money market instrument	-	12,562,668	-	12,562,668
- Quoted securities	4,764,587	-	-	4,764,587
- Unquoted securities	-	10,003,895	32,534	10,036,429
Derivative financial instruments	560	515,169	5,121	520,850
	<u>12,513,959</u>	<u>27,954,533</u>	<u>471,690</u>	<u>40,940,182</u>
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	1,373	625,073	5,121	631,567
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,315,314	-	3,315,314
	<u>1,373</u>	<u>3,940,387</u>	<u>5,121</u>	<u>3,946,881</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 31/12/2018</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	-	3,773,148	-	3,773,148
- Quoted securities	7,748,812	-	-	7,748,812
- Unquoted securities	-	391,263	434,035	825,298
Financial investments at FVOCI				
- Money market instrument	-	10,565,950	-	10,565,950
- Quoted securities	4,740,899	-	-	4,740,899
- Unquoted securities	-	8,929,101	32,534	8,961,635
Derivative financial instruments	560	534,531	5,121	540,212
	<u>12,490,271</u>	<u>24,193,993</u>	<u>471,690</u>	<u>37,155,954</u>
<b><u>Financial Liabilities</u></b>				
Derivative financial instruments	1,373	609,857	5,121	616,351
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,327,841	-	2,327,841
	<u>1,373</u>	<u>2,937,698</u>	<u>5,121</u>	<u>2,944,192</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 2019</b>	<b>Financial Assets</b>			<b>Derivative financial instruments RM'000</b>	<b>Financial Liability Derivative financial instruments RM'000</b>
	<b>Financial assets at FVTPL RM'000</b>	<b>Financial investments at FVOCI RM'000</b>	<b>Financial investments available-for-sale 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	-	-	-	(8,072)	(8,072)
Net fair value changes recognised in other comprehensive income	-	(943)	-	-	-
Purchases	-	-	-	2,040	2,040
Settlements	-	-	-	(2,723)	(2,723)
At 31 December	434,035	32,534	-	5,121	5,121
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2018	-	-	-	(8,072)	(8,072)
Total loss recognised in other comprehensive income relating to assets held on 31 December 2018	-	(943)	-	-	-

  

<b>The Bank 2019</b>	<b>Financial Assets</b>			<b>Derivative financial instruments RM'000</b>	<b>Financial Liability Derivative financial instruments RM'000</b>
	<b>Financial assets at FVTPL RM'000</b>	<b>Financial investments at FVOCI RM'000</b>	<b>Financial investments available-for-sale 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	-	-	-	(8,072)	(8,072)
Net fair value changes recognised in other comprehensive income	-	(943)	-	-	-
Purchases	-	-	-	2,040	2,040
Settlements	-	-	-	(2,723)	(2,723)
At 31 December	434,035	32,534	-	5,121	5,121
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2018	-	-	-	(8,072)	(8,072)
Total loss recognised in other comprehensive income relating to assets held on 31 December 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	<u>-</u>	<u>4,672</u>	<u>4,672</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>

<b>The Bank 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	<u>-</u>	<u>4,672</u>	<u>4,672</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>

**A39 Liquidity risk**

Please refer to Appendix A.

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

**A40 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)**

**A40 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)**

**A40 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)**

**A40 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)**

**A40 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)**

**A40 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>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)**

**A40 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 RM823.2 million for the current financial quarter ended 31 December 2018, a decrease of RM9.9 million or 1.2% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to lower net income of RM86.4 million. However, this is mitigated by write back of allowance for impairment losses on loans, advances and financing of RM68.6 million, lower operating expenses of RM5.0 million and higher share of profit from associated companies of RM3.3 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM303.0 million for the second quarter ended 31 December 2018 as compared to previous corresponding quarter of RM314.1 million. The decrease in pre-tax profit was mainly contributed by lower total income and higher operating expenses, partially offset by lower allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM226.0 million for the second quarter ended 31 December 2018 as compared to previous corresponding quarter of RM202.7 million. The increase in pre-tax profit was mainly contributed by higher total income and lower allowance for impairment losses on loans, advances and financing, partially offset by higher total operating expenses.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM53.0 million for the second quarter ended 31 December 2018 as compared to previous corresponding quarter of RM126.4 million. The decrease in pre-tax profit was mainly contributed by lower total income, partially offset by lower operating expenses and impairment losses on financial investments and other financial assets.

International Banking

The International Banking's segment recorded a pre-tax profit of RM145.3 million for the second quarter ended 31 December 2018 as compared to previous corresponding quarter of RM155.0 million. The decrease in pre-tax profit was mainly contributed by higher operating expenses and higher allowance for impairment losses on loans, advances and financing, partially offset by higher total income and higher share of profit from associated company in China.

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

**B1 Review of performance** (continued)

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

The Group's pre-tax profit for the financial period ended 31 December 2018 stood at RM1,674.3 million, an increase of RM60.8 million or 3.8% as compared to RM1,613.5 million in the previous financial period. The increase was mainly due to write back of impairment losses on loans, advances and financing of RM93.3 million. This is mitigated by lower net income of RM16.0 million, higher operating expenses of RM13.0 million, higher allowance for impairment losses on financial investments and other financial assets of RM1.2 million and lower share of profit from associated company of RM2.1 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM569.8 million for the financial period ended 31 December 2018 as compared to previous corresponding period of RM596.9 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.

Personal Financial Services's loan base grew from RM88.7 billion as at 31 December 2017 to RM93.0 billion as at 31 December 2018. Deposit base reduced from RM87.0 billion to RM86.7 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM435.9 million for the financial period ended 31 December 2018 as compared to previous corresponding period of RM402.8 million. The increase in pre-tax profit was mainly contributed by higher income and lower allowance for impairment losses on loans, advances and financing, partially offset by higher total operating expenses.

Business and Corporate Banking's loan base increased from RM29.3 billion as at 31 December 2017 to RM30.7 billion as at 31 December 2018. Deposit base increased from RM34.3 billion to RM36.2 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM155.7 million for the financial period ended 31 December 2018 as compared to previous corresponding period of RM232.6 million. The decrease in pre-tax profit was mainly contributed by lower total income, and higher impairment losses on financial investments and other financial assets, partially offset by lower total operating expenses.

Treasury earning assets registered an increase from RM59.2 billion as at 31 December 2017 to RM61.5 billion as at 31 December 2018.

International Banking

The International Banking's segment recorded a pre-tax profit of RM295.4 million for the financial period ended 31 December 2018 as compared to previous corresponding period of RM322.9 million. The decrease in pre-tax profit was mainly contributed by higher operating expenses, higher allowance for impairment losses on loans, advances and financing and lower share of profit from associated company in China, partially offset by higher total income.

**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 RM823.2 million as compared to RM851.1 million in the preceding quarter, a decrease of RM27.9 million mainly contributed by lower net income of RM106.9 million and lower share of profit from associated companies of RM13.3 million. However, this is partially offset by write back of impairment losses on loans, advances and financing of RM76.9 million and lower operating expenses of RM14.3 million.

**B3 Current year prospects**

The Malaysian economy is expected to remain on a steady growth path in 2019, in tandem with continued moderate growth in the world economy. A steady labour market, continuous wage growth, ongoing fiscal reforms, and anticipation of revival in investment spending are expected to provide the much needed support to growth in domestic demand, helping cushion fallouts from a more challenging external environment as a result of the shift in the US monetary and trade policies.

Being digital at the core, executing our digital strategy remains our key priority in strengthening our digital offerings and transforming our products and services. Leveraging on our branch footprint and digital capabilities, we continue to grow our domestic franchise and regional businesses by entrenching ourselves in the communities. We strive to continue 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**

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Income tax	172,286	163,048	317,777	306,544
Transfer to deferred taxation	(36,331)	(13,020)	(37,602)	(15,092)
	<u>135,955</u>	<u>150,028</u>	<u>280,175</u>	<u>291,452</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<b>The Bank</b>				
Income tax	133,928	139,413	252,322	263,174
Transfer to deferred taxation	(24,449)	(16,713)	(25,214)	(18,785)
	<u>109,479</u>	<u>122,700</u>	<u>227,108</u>	<u>244,389</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 31 December 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	32,042,657	228,304	(138,408)
Swaps			
(i) Less than 1 year	6,592,860	46,793	(128,735)
(ii) 1 year to 3 years	1,646,340	15,610	(27,886)
(iii) More than 3 years	1,191,029	56,774	(4,618)
Options			
(i) Less than 1 year	1,760,939	8,712	(7,087)
Interest rate related contracts			
Futures			
(i) Less than 1 year	4,731,547	560	(1,373)
Swaps			
(i) Less than 1 year	31,561,501	72,949	(87,392)
(ii) 1 year to 3 years	18,310,911	25,180	(66,816)
(iii) More than 3 years	12,273,545	60,757	(164,127)
Equity related contracts			
(i) Less than 1 year	666,659	3,097	(3,096)
(ii) 1 year to 3 years	27,992	2,025	(2,026)
Credit related contracts			
(iii) More than 3 years	19,498	89	(3)
<b>Total</b>	<b>110,825,478</b>	<b>520,850</b>	<b>(631,567)</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 31 December 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	30,219,288	226,969	(134,505)
Swaps			
(i) Less than 1 year	6,517,663	46,710	(128,735)
(ii) 1 year to 3 years	1,646,339	15,610	(27,886)
(iii) More than 3 years	1,191,029	56,774	(4,618)
Options			
(i) Less than 1 year	1,760,939	8,712	(7,087)
Interest rate related contracts			
Futures			
(i) Less than 1 year	4,731,547	560	(1,373)
Swaps			
(i) Less than 1 year	32,061,501	73,126	(87,861)
(ii) 1 year to 3 years	19,040,912	34,443	(71,619)
(iii) More than 3 years	12,758,544	72,097	(147,542)
Equity related contracts			
(i) Less than 1 year	666,659	3,097	(3,096)
(ii) 1 year to 3 years	27,992	2,025	(2,026)
Credit related contracts			
(iii) More than 3 years	19,498	89	(3)
<b>Total</b>	<b>110,641,911</b>	<b>540,212</b>	<b>(616,351)</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 RM466,717,000 (FYE June 2018: RM57,213,000) and RM72,307,504,000 (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 RM618,011,000 (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**

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

- (i) Amount per share: 16.0 sen.
- (ii) Previous corresponding quarter: single tier dividend of 16.0 sen per share.
- (iii) Entitlement date: 13 March 2019
- (iv) Payment date: 27 March 2019

**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.

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
<b><u>The Group</u></b>				
Net profit attributable to equity holders	687,246	683,071	1,394,161	1,322,039
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>	33.6	33.4	68.1	64.6
<b><u>The Bank</u></b>				
Net profit attributable to equity holders	447,171	464,141	976,435	886,574
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>	21.9	22.7	47.7	43.3

**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>2nd Quarter Ended</b>		<b>Cumulative Six Months Ended</b>	
	<b>31/12/2018 RM'000</b>	<b>31/12/2017 RM'000</b>	<b>31/12/2018 RM'000</b>	<b>31/12/2017 RM'000</b>
<b><u>The Group</u></b>				
Net profit attributable to equity holders	687,246	683,071	1,394,161	1,322,039
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	7,395	2,815	7,395	2,815
	<u>2,053,225</u>	<u>2,048,415</u>	<u>2,053,225</u>	<u>2,048,415</u>
<b>Fully diluted earnings per share (sen)</b>	33.5	33.3	67.9	64.5
<b><u>The Bank</u></b>				
Net profit attributable to equity holders	447,171	464,141	976,435	886,574
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	7,395	2,815	7,395	2,815
	<u>2,053,225</u>	<u>2,048,415</u>	<u>2,053,225</u>	<u>2,048,415</u>
<b>Fully diluted earnings per share (sen)</b>	21.8	22.7	47.6	43.3

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

**A39 Liquidity risk**

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

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2018 based on the remaining contractual maturity:

	<b>The Group</b>							<b>Total</b>
	<b>31 December 2018</b>							
	<b>Up to 1 week RM'000</b>	<b>1 week to 1 month RM'000</b>	<b>1 to 3 months RM'000</b>	<b>3 to 6 months RM'000</b>	<b>6 to 12 months RM'000</b>	<b>Over 1 year RM'000</b>	<b>No specific maturity RM'000</b>	
<b>Assets</b>								
Cash and short-term funds	6,146,072	2,017,108	-	-	-	-	-	8,163,180
Deposits and placements with banks and other financial institutions	-	-	2,441,562	646,437	-	-	-	3,087,999
Financial assets at fair value through profit or loss	268	91,052	307,259	161,138	346,707	11,715,189	434,035	13,055,648
Financial investments at fair value through other comprehensive income	729,269	576,586	3,228,291	1,707,660	1,306,872	19,782,471	32,535	27,363,684
Financial investments at amortised cost	9,807	9,944	20,151	43,875	21,257	16,958,696	-	17,063,730
Loans, advances and financing	11,425,588	5,596,878	4,954,219	2,023,263	745,471	105,605,095	-	130,350,514
Other assets	468,958	5,835	8,954	12,716	4,415	7,491	214,128	722,497
Derivative financial instruments	287,196	6,916	16,440	25,743	24,120	160,435	-	520,850
Statutory deposits with Central Banks	-	-	-	-	-	-	4,309,384	4,309,384
Investment in associated companies	-	-	-	-	-	-	3,937,006	3,937,006
Property and equipment	-	-	-	-	-	-	1,411,381	1,411,381
Intangible assets	-	-	-	-	-	-	133,286	133,286
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	52,510	52,510
<b>Total assets</b>	<b>19,067,158</b>	<b>8,304,319</b>	<b>10,976,876</b>	<b>4,620,832</b>	<b>2,448,842</b>	<b>154,229,377</b>	<b>12,355,577</b>	<b>212,002,981</b>

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

**A39 Liquidity risk** (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2018 based on the remaining contractual maturity: (continued)

	<b>The Group</b>							<b>Total</b>
	<b>31 December 2018</b>							
	<b>Up to 1 week RM'000</b>	<b>1 week to 1 month RM'000</b>	<b>1 to 3 months RM'000</b>	<b>3 to 6 months RM'000</b>	<b>6 to 12 months RM'000</b>	<b>Over 1 year RM'000</b>	<b>No specific maturity RM'000</b>	<b>RM'000</b>
<b>Liabilities</b>								
Deposits from customers	58,978,366	28,963,746	29,621,464	17,433,316	22,354,461	5,247,942	-	162,599,295
Deposits and placements of banks and other financial institutions	4,011,310	2,173,435	3,899,498	106,444	37,139	-	-	10,227,826
Obligations on securities sold under repurchase agreements	1,360,531	1,227,168	1,513,526	713,609	-	-	-	4,814,834
Bills and acceptances payable	170	157,709	122,371	17,029	-	-	196,758	494,037
Other liabilities	4,235,946	-	-	-	233,148	-	91,340	4,560,434
Derivative financial instruments	257,171	15,570	9,627	35,906	47,817	265,476	-	631,567
Recourse obligation on loans sold to Cagamas	-	-	-	-	202,994	-	-	202,994
Tier 2 subordinated bonds	-	-	-	2,402,571	-	500,499	-	2,903,070
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,257	-	401,257
Innovative Tier 1 capital securities	-	-	-	-	511,909	-	-	511,909
Taxation	-	-	-	-	-	-	196,890	196,890
<b>Total liabilities</b>	<b>68,843,494</b>	<b>32,537,628</b>	<b>35,166,486</b>	<b>20,708,875</b>	<b>23,387,468</b>	<b>6,415,174</b>	<b>484,988</b>	<b>187,544,113</b>
Total equity	-	-	-	-	-	-	24,458,868	24,458,868
<b>Total liabilities and equity</b>	<b>68,843,494</b>	<b>32,537,628</b>	<b>35,166,486</b>	<b>20,708,875</b>	<b>23,387,468</b>	<b>6,415,174</b>	<b>24,943,856</b>	<b>212,002,981</b>
<b>Net liquidity gap</b>	<b>(49,776,336)</b>	<b>(24,233,309)</b>	<b>(24,189,610)</b>	<b>(16,088,043)</b>	<b>(20,938,626)</b>	<b>147,814,203</b>	<b>11,870,589</b>	<b>24,458,868</b>

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

**A39 Liquidity risk** (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity:

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

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

**A39 Liquidity risk** (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity: (continued)

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



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

**A39 Liquidity risk** (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2018 based on the remaining contractual maturity:

	<b>The Bank</b>							<b>Total RM'000</b>
	<b>31 December 2018</b>							
	<b>Up to 1 week RM'000</b>	<b>1 week to 1 month RM'000</b>	<b>1 to 3 months RM'000</b>	<b>3 to 6 months RM'000</b>	<b>6 to 12 months RM'000</b>	<b>Over 1 year RM'000</b>	<b>No specific maturity RM'000</b>	
<b>Assets</b>								
Cash and short-term funds	6,118,874	2,095,944	-	-	-	-	-	8,214,818
Deposits and placements with banks and other financial institutions	-	-	2,254,407	646,437	-	-	-	2,900,844
Financial assets at fair value through profit or loss	268	91,052	307,259	161,138	346,707	11,006,799	434,035	12,347,258
Financial investments at fair value through other comprehensive income	710,430	576,586	3,209,065	1,698,403	1,225,963	16,815,503	32,534	24,268,484
Financial investments at amortised cost	381	313	1,121	1,442	21,257	12,960,819	-	12,985,333
Loans, advances and financing	10,226,449	4,847,668	4,642,480	1,758,233	604,807	83,197,939	-	105,277,576
Other assets	517,302	5,747	8,779	12,461	4,305	7,341	141,308	697,243
Derivative financial instruments	285,761	6,903	16,424	25,743	24,343	181,038	-	540,212
Amount due from subsidiaries	-	-	-	-	-	-	50,938	50,938
Statutory deposits with Central Banks	-	-	-	-	-	-	3,344,002	3,344,002
Subsidiary companies	-	-	-	-	-	-	2,157,993	2,157,993
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	782,828	782,828
Intangible assets	-	-	-	-	-	-	118,246	118,246
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	39,507	39,507
<b>Total assets</b>	<b>17,859,465</b>	<b>7,624,213</b>	<b>10,439,535</b>	<b>4,303,857</b>	<b>2,227,382</b>	<b>124,169,439</b>	<b>9,844,120</b>	<b>176,468,011</b>

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

**A39 Liquidity risk** (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2018 based on the remaining contractual maturity: (continued)

	<b>The Bank</b>							<b>Total</b>
	<b>31 December 2018</b>							
	<b>Up to 1 week RM'000</b>	<b>1 week to 1 month RM'000</b>	<b>1 to 3 months RM'000</b>	<b>3 to 6 months RM'000</b>	<b>6 to 12 months RM'000</b>	<b>Over 1 year RM'000</b>	<b>No specific maturity RM'000</b>	<b>RM'000</b>
<b>Liabilities</b>								
Deposits from customers	48,653,405	25,318,890	23,114,462	14,408,882	17,801,574	4,079,631	-	133,376,844
Deposits and placements of banks and other financial institutions	4,459,084	2,020,146	3,739,505	25,488	37,139	-	-	10,281,362
Obligations on securities sold under repurchase agreements	1,360,531	1,227,168	1,513,526	713,609	-	-	-	4,814,834
Bills and acceptances payable	156	157,345	120,713	15,994	-	-	178,677	472,885
Other liabilities	3,424,466	-	-	-	231,045	-	35,279	3,690,790
Derivative financial instruments	253,303	15,570	9,605	35,894	48,285	253,694	-	616,351
Recourse obligation on loans sold to Cagamas	-	-	-	-	202,994	-	-	202,994
Tier 2 subordinated bonds	-	-	-	2,001,817	-	500,499	-	2,502,316
Multi-currency Additional Tier 1 Capital Securities	-	-	-	-	-	401,257	-	401,257
Innovative Tier 1 capital securities	-	-	-	-	511,909	-	-	511,909
Taxation	-	-	-	-	-	-	130,440	130,440
<b>Total liabilities</b>	<b>58,150,945</b>	<b>28,739,119</b>	<b>28,497,811</b>	<b>17,201,684</b>	<b>18,832,946</b>	<b>5,235,081</b>	<b>344,396</b>	<b>157,001,982</b>
Total equity	-	-	-	-	-	-	19,466,029	19,466,029
<b>Total liabilities and equity</b>	<b>58,150,945</b>	<b>28,739,119</b>	<b>28,497,811</b>	<b>17,201,684</b>	<b>18,832,946</b>	<b>5,235,081</b>	<b>19,810,425</b>	<b>176,468,011</b>
<b>Net liquidity gap</b>	<b>(40,291,480)</b>	<b>(21,114,906)</b>	<b>(18,058,276)</b>	<b>(12,897,827)</b>	<b>(16,605,564)</b>	<b>118,934,358</b>	<b>9,499,724</b>	<b>19,466,029</b>

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

**A39 Liquidity risk** (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity:

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

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

**A39 Liquidity risk** (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2018 based on the remaining contractual maturity: (continued)

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