

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 March 2019

		The Group		The Bank	
	Note	As at 31/03/2019 RM'000	As at 30/06/2018 RM'000	As at 31/03/2019 RM'000	As at 30/06/2018 RM'000
<u>ASSETS</u>					
Cash and short-term funds		5,405,915	6,472,405	4,839,569	5,550,388
Deposits and placements with banks and other financial institutions		1,736,002	2,796,480	1,878,504	2,705,522
Financial assets at fair value through profit or loss	A8	13,631,694	-	13,180,357	-
Financial assets held-for-trading	A9	-	5,969,872	-	5,619,035
Financial investments at fair value through other comprehensive income	A10	24,881,505	-	21,514,231	-
Financial investments available-for-sale	A11	-	31,862,936	-	29,018,580
Financial investments at amortised cost	A12	14,521,355	-	10,440,818	-
Financial investments held-to-maturity	A13	-	14,436,945	-	10,906,565
Loans, advances and financing	A14	132,340,352	128,059,105	106,378,732	104,274,903
Other assets	A15	1,161,992	780,069	1,163,874	686,696
Derivative financial instruments		525,286	918,067	527,759	932,926
Amount due from subsidiaries		-	-	132,539	43,563
Statutory deposits with Central Banks		4,418,801	4,312,482	3,451,137	3,453,017
Subsidiary companies		-	-	2,163,054	2,157,132
Investment in associated companies	A16	4,121,280	3,651,091	971,182	946,525
Investment in joint venture	A17	-	179,426	-	76,711
Property and equipment		1,407,691	1,414,975	782,264	782,853
Intangible assets		122,395	152,541	107,646	137,166
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		41,586	53,067	28,689	47,908
TOTAL ASSETS		206,147,166	202,890,773	169,331,902	169,111,037
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A18	162,992,588	157,414,095	133,083,534	129,583,425
Investment accounts of customers	A19	263	-	-	-
Deposits and placements of banks and other financial institutions	A20	4,697,702	7,237,434	4,651,141	7,245,854
Obligations on securities sold under repurchase agreements		2,858,735	3,831,869	2,858,735	3,805,119
Bills and acceptances payable		427,605	544,451	407,784	506,971
Other liabilities	A21	4,967,138	4,719,446	3,912,391	3,932,169
Derivative financial instruments		633,364	1,020,196	628,043	983,680
Recourse obligation on loans sold to Cagamas Berhad		251,174	202,952	201,059	202,952
Tier 2 subordinated bonds	A22	2,936,384	2,902,908	2,530,892	2,502,278
Multi-currency Additional Tier 1 capital securities	A23	806,505	401,192	806,505	401,192
Innovative Tier 1 capital securities	A24	501,826	512,352	501,826	512,352
Provision for taxation		167,461	211,619	103,591	171,958
TOTAL LIABILITIES		181,240,745	178,998,514	149,685,501	149,847,950
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		17,896,719	16,885,463	12,636,699	12,256,291
Less: Treasury shares		(729,361)	(732,267)	(729,361)	(732,267)
TOTAL SHAREHOLDERS' EQUITY		24,906,421	23,892,259	19,646,401	19,263,087
TOTAL LIABILITIES AND EQUITY		206,147,166	202,890,773	169,331,902	169,111,037
<u>COMMITMENTS AND CONTINGENCIES</u>	A37	213,786,696	167,840,081	205,614,979	162,664,431
Net asset per share attributable to ordinary equity holders of the parent (RM) *		12.17	11.68	9.60	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 March 2019

	Note	The Group			
		Current Quarter Ended 31/03/2019 RM'000	Corresponding Quarter Ended 31/03/2018 RM'000	Current Period Ended 31/03/2019 RM'000	Corresponding Period Ended 31/03/2018 RM'000
Interest income	A25	1,684,145	1,586,597	5,047,964	4,745,227
Interest expense	A26	(992,797)	(873,075)	(2,952,059)	(2,542,514)
Net interest income		691,348	713,522	2,095,905	2,202,713
Net income from Islamic Banking business	A27	188,468	166,680	532,288	483,323
Other operating income	A28	287,000	375,864	929,818	977,215
Net income		1,166,816	1,256,066	3,558,011	3,663,251
Other operating expenses	A29	(525,495)	(526,636)	(1,561,516)	(1,549,623)
Operating profit before allowances (Allowance for)/write back of impairment losses on loans, advances and financing	A30	641,321 (4,690)	729,430 (12,959)	1,996,495 34,681	2,113,628 (66,848)
Write back of impairment losses on financial investments	A31	856	1,943	722	2,499
Write back of/(allowance for) impairment losses on other financial assets	A32	225	-	(332)	-
Share of profit after tax of equity accounted associated companies		637,712 140,943	718,414 131,300	2,031,566 421,425	2,049,279 404,431
Share of profit after tax of equity accounted joint venture		-	5,412	-	14,907
Profit before taxation		778,655	855,126	2,452,991	2,468,617
Taxation	B5	(144,757)	(165,095)	(424,932)	(456,547)
Net profit for the financial period		633,898	690,031	2,028,059	2,012,070
Attributable to:					
Owners of the parent		633,898	690,031	2,028,059	2,012,070
Earnings per share - basic (sen)	B12(a)	31.0	33.7	99.1	98.4
Earnings per share - fully diluted (sen)	B12(b)	30.9	33.7	98.9	98.2

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 March 2019

	The Group			
	Current Quarter Ended 31/03/2019 RM'000	Corresponding Quarter Ended 31/03/2018 RM'000	Current Period Ended 31/03/2019 RM'000	Corresponding Period Ended 31/03/2018 RM'000
Net profit for the financial period	633,898	690,031	2,028,059	2,012,070
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of associated company	6,564	-	5,742	525
Currency translation differences	27,165	(128,241)	(12,847)	(283,063)
Net fair value changes on financial investments at fair value through other comprehensive income	138,240	-	240,117	-
Net fair value changes on financial investments available-for-sale	-	(106,882)	-	(168,616)
Net fair value changes in cash flow hedge	(1,906)	36	(2,981)	1,405
Income tax relating to components of other comprehensive (income)/loss	(30,036)	22,251	(54,153)	34,572
Other comprehensive income/(loss) for the financial period, net of tax	140,027	(212,836)	175,878	(415,177)
Total comprehensive income for the financial period	<u>773,925</u>	<u>477,195</u>	<u>2,203,937</u>	<u>1,596,893</u>
Attributable to:				
- Owners of the parent	<u>773,925</u>	<u>477,195</u>	<u>2,203,937</u>	<u>1,596,893</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
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Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 March 2019

	Note	The Bank			
		Current Quarter Ended 31/03/2019 RM'000	Corresponding Quarter Ended 31/03/2018 RM'000	Current Period Ended 31/03/2019 RM'000	Corresponding Period Ended 31/03/2018 RM'000
Interest income	A25	1,653,422	1,563,096	4,964,632	4,677,664
Interest expense	A26	(981,794)	(862,707)	(2,926,817)	(2,513,054)
Net interest income		671,628	700,389	2,037,815	2,164,610
Other operating income	A28	302,750	415,649	988,864	1,015,029
Net income		974,378	1,116,038	3,026,679	3,179,639
Other operating expenses	A29	(458,311)	(455,254)	(1,361,064)	(1,356,522)
Operating profit before allowances		516,067	660,784	1,665,615	1,823,117
Write back of/(allowance for) impairment losses on loans, advances and financing	A30	15,836	(3,528)	70,894	(35,454)
Write back of impairment losses on financial investments	A31	929	1,943	820	2,499
Allowance for impairment losses on other financial assets	A32	(270)	-	(1,224)	-
Profit before taxation		532,562	659,199	1,736,105	1,790,162
Taxation	B5	(116,850)	(140,952)	(343,958)	(385,341)
Net profit for the financial period		415,712	518,247	1,392,147	1,404,821
Attributable to:					
Owners of the parent		415,712	518,247	1,392,147	1,404,821
Earnings per share - basic (sen)	B12(a)	20.3	25.3	68.0	68.7
Earnings per share - fully diluted (sen)	B12(b)	20.3	25.3	67.9	68.6

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 March 2019

	The Bank			
	Current Quarter Ended 31/03/2019 RM'000	Corresponding Quarter Ended 31/03/2018 RM'000	Current Period Ended 31/03/2019 RM'000	Corresponding Period Ended 31/03/2018 RM'000
Net profit for the financial period	415,712	518,247	1,392,147	1,404,821
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(3,905)	(36,276)	16,578	(71,586)
Net fair value changes on financial investments at fair value through other comprehensive income	121,311	-	205,524	-
Net fair value changes on financial investments available-for-sale	-	(113,063)	-	(168,839)
Net fair value changes in cash flow hedge	(1,906)	36	(2,981)	1,405
Income tax relating to components of other comprehensive (income)/loss	(24,468)	23,667	(45,340)	34,535
Other comprehensive income/(loss) for the financial period, net of tax	91,032	(125,636)	173,781	(204,485)
Total comprehensive income for the financial period	<u>506,744</u>	<u>392,611</u>	<u>1,565,928</u>	<u>1,200,336</u>

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HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2019
Attributable to owners of the parent

The Group	Share Capital RM'000	Other Reserves RM'000	Regulatory Reserves * RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2018	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>
Comprehensive income						
Net profit for the financial period	-	-	-	2,028,059	-	2,028,059
- Share of other comprehensive income of associated company	-	5,742	-	-	-	5,742
- Net fair value changes in financial investments at fair value through other comprehensive income	-	185,324	-	-	-	185,324
- Net fair value changes in cash flow hedge	-	(2,341)	-	-	-	(2,341)
- Currency translation differences	-	(12,847)	-	-	-	(12,847)
Total comprehensive income	<u>-</u>	<u>175,878</u>	<u>-</u>	<u>2,028,059</u>	<u>-</u>	<u>2,203,937</u>
Transactions with owners						
Transfer to regulatory reserve	-	-	105,158	(105,158)	-	-
Dividends paid	-	-	-	(982,056)	-	(982,056)
ESS exercised	-	(4,964)	-	2,774	2,906	716
Option charge arising from ESS granted	-	16,359	-	-	-	16,359
Total transactions with owners	<u>-</u>	<u>11,395</u>	<u>105,158</u>	<u>(1,084,440)</u>	<u>2,906</u>	<u>(964,981)</u>
At 31 March 2019	<u>7,739,063</u>	<u>846,676</u>	<u>853,817</u>	<u>16,196,226</u>	<u>(729,361)</u>	<u>24,906,421</u>
At 1 July 2017	7,739,063	1,441,246	678,483	13,560,582	(733,961)	22,685,413
Comprehensive income						
Net profit for the financial period	-	-	-	2,012,070	-	2,012,070
- Share of other comprehensive income of associated company	-	525	-	-	-	525
- Net fair value changes in financial investments available-for-sale	-	(133,707)	-	-	-	(133,707)
- Net fair value changes in cash flow hedge	-	1,068	-	-	-	1,068
- Currency translation differences	-	(283,063)	-	-	-	(283,063)
Total comprehensive (loss)/income	<u>-</u>	<u>(415,177)</u>	<u>-</u>	<u>2,012,070</u>	<u>-</u>	<u>1,596,893</u>
Transactions with owners						
Transfer from regulatory reserve	-	-	26,690	(26,690)	-	-
Dividends paid	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	(3,036)	-	1,342	1,694	-
Option charge arising from ESS granted	-	6,322	-	-	-	6,322
Total transactions with owners	<u>-</u>	<u>3,286</u>	<u>26,690</u>	<u>(966,361)</u>	<u>1,694</u>	<u>(934,691)</u>
At 31 March 2018	<u>7,739,063</u>	<u>1,029,355</u>	<u>705,173</u>	<u>14,606,291</u>	<u>(732,267)</u>	<u>23,347,615</u>

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM842,572,000 (31 March 2018: RM693,928,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2018: RM11,245,000)

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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2019

Attributable to owners of the parent

The Bank	Share Capital RM'000	Other Reserves RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2018	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>
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	1,392,147	-	1,392,147
- Net fair value changes in financial investments at fair value through other comprehensive income	-	159,544	-	-	-	159,544
- Net fair value changes in cash flow hedge	-	(2,341)	-	-	-	(2,341)
- Currency translation differences	-	16,578	-	-	-	16,578
Total comprehensive income	<u>-</u>	<u>173,781</u>	<u>-</u>	<u>1,392,147</u>	<u>-</u>	<u>1,565,928</u>
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	90,640	(90,640)	-	-
Dividends paid	-	-	-	(982,056)	-	(982,056)
ESS exercised	-	(4,964)	-	2,774	2,906	716
Option charge arising from ESS granted	-	16,359	-	-	-	16,359
Total transactions with owners	<u>-</u>	<u>11,395</u>	<u>90,640</u>	<u>(1,069,922)</u>	<u>2,906</u>	<u>(964,981)</u>
At 31 March 2019	<u>7,739,063</u>	<u>300,165</u>	<u>695,730</u>	<u>11,640,804</u>	<u>(729,361)</u>	<u>19,646,401</u>
At 1 July 2017	7,739,063	620,396	571,678	10,245,205	(733,961)	18,442,381
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	1,404,821	-	1,404,821
- Net fair value changes in financial investments available-for-sale	-	(133,967)	-	-	-	(133,967)
- Net fair value changes in cash flow hedge	-	1,068	-	-	-	1,068
- Currency translation differences	-	(71,586)	-	-	-	(71,586)
Total comprehensive (loss)/income	<u>-</u>	<u>(204,485)</u>	<u>-</u>	<u>1,404,821</u>	<u>-</u>	<u>1,200,336</u>
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	24,479	(24,479)	-	-
Dividends paid	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	(3,036)	-	1,342	1,694	-
Option charge arising from ESS granted	-	6,322	-	-	-	6,322
Total transactions with owners	<u>-</u>	<u>3,286</u>	<u>24,479</u>	<u>(964,150)</u>	<u>1,694</u>	<u>(934,691)</u>
At 31 March 2018	<u>7,739,063</u>	<u>419,197</u>	<u>596,157</u>	<u>10,685,876</u>	<u>(732,267)</u>	<u>18,708,026</u>

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

Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2019

	The Group		The Bank	
	Financial Period Ended 31/03/2019 RM'000	Financial Period Ended 31/03/2018 RM'000	Financial Period Ended 31/03/2019 RM'000	Financial Period Ended 31/03/2018 RM'000
Profit before taxation	2,452,991	2,468,617	1,736,105	1,790,162
Adjustments for non-cash items	(950,171)	(1,027,393)	92,518	(789,122)
Operating profit before working capital changes	1,502,820	1,441,224	1,828,623	1,001,040
Changes in working capital:				
Net changes in operating assets	(3,922,439)	(3,189,339)	(1,857,813)	(1,723,313)
Net changes in operating liabilities	1,845,930	542,735	(490,870)	(432,725)
Income taxes and zakat paid	(390,685)	(309,834)	(331,004)	(268,572)
Net cash used in operating activities	<u>(964,374)</u>	<u>(1,515,214)</u>	<u>(851,064)</u>	<u>(1,423,570)</u>
Cash flows from investing activities				
Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(5,060)	(400,000)
Investment in subordinated facilities	-	-	(862)	-
Net proceeds/(purchases) of financial investments available-for-sale	639,714	(2,802,201)	1,042,066	(2,713,378)
Net proceeds of financial investments held-to-maturity	1,768,248	209,475	1,567,939	505,597
Purchase of property and equipment	(99,656)	(94,796)	(92,476)	(91,931)
Net proceeds from sale of property and equipment	583	5,490	439	5,456
Purchase of intangible assets	(8,719)	(5,580)	(7,673)	(4,035)
Investment in subsidiary company	-	-	-	(76,703)
Dividends received from:				
- Subsidiary company	-	-	20,020	43,400
- Associated company	2,901	-	2,901	-
- Joint venture	-	3,563	-	3,563
- Financial investments at FVTPL and FVOCI	210,248	205,638	210,248	205,638
Net cash generated from/(used in) investing activities	<u>2,513,319</u>	<u>(2,478,411)</u>	<u>2,737,542</u>	<u>(2,522,393)</u>
Cash flows from financing activities				
Dividends paid	(982,056)	(941,013)	(982,056)	(941,013)
Cash received from ESOS exercised	716	-	716	-
Proceeds from debt issuance				
- Multi-currency Additional Tier 1 capital securities	400,000	400,000	400,000	400,000
Interest paid:				
- Subordinated obligations	(53,704)	(41,532)	(58,543)	(46,372)
- Multi-currency Additional Tier 1 capital securities	(10,318)	(817)	(10,442)	(43)
- Innovative Tier 1 capital securities	(40,782)	(38,989)	(40,782)	(38,989)
- Recourse obligation on loans sold to Cagamas	(7,600)	(7,576)	(7,600)	(7,576)
Net cash used in financing activities	<u>(643,744)</u>	<u>(629,927)</u>	<u>(698,707)</u>	<u>(633,993)</u>
Net increase/(decrease) in cash and cash equivalents	905,201	(4,623,552)	1,187,771	(4,579,956)
Currency translation differences	26,862	(161,815)	14,532	(69,830)
Cash and cash equivalents at the beginning of financial period	3,963,309	10,388,873	3,282,694	9,578,350
Cash and cash equivalents at the end of financial period	<u>4,895,372</u>	<u>5,603,506</u>	<u>4,484,997</u>	<u>4,928,564</u>

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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2019

	The Group		The Bank	
	Financial Period Ended 31/03/2019 RM'000	Financial Period Ended 31/03/2018 RM'000	Financial Period Ended 31/03/2019 RM'000	Financial Period Ended 31/03/2018 RM'000
Cash and short-term funds	5,405,915	6,270,150	4,839,569	5,708,954
Deposits and placements with banks and other financial institutions	1,736,002	4,304,723	1,878,504	4,031,092
	<u>7,141,917</u>	<u>10,574,873</u>	<u>6,718,073</u>	<u>9,740,046</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	(2,246,545)	(4,971,367)	(2,233,076)	(4,811,482)
	<u>4,895,372</u>	<u>5,603,506</u>	<u>4,484,997</u>	<u>4,928,564</u>

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL PERIOD ENDED 31 MARCH 2019**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2019 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.

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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 March 2019:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 31 March 2019 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 March 2019, the trust did not purchase any new shares. As at 31 March 2019, the total number of Treasury Shares for ESS was 40,392,055 pursuant to the Bank's ESS. The Treasury Shares have an average carrying value of RM7.37 per share.

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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 March 2019, a total of 9,036,759 share options lapsed and a total of 342,495 ordinary shares were vested and transferred while a total of 52,000 share options were exercised pursuant to the Bank's ESS.

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

On 29 March 2019 the Bank issued a second tranche nominal value of 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 Hong Leong Financial Group Berhad ("HLFG"). The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's *Capital Adequacy Framework (Capital Components)* issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

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.

An interim single tier dividend of 16.0 sen per share in respect of financial year ended 30 June 2019 amounting to RM327.4 million was paid on 27 March 2019.

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

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2019 RM'000	30/06/2018 RM'000	31/03/2019 RM'000	30/06/2018 RM'000
Money market instruments:				
Bank Negara Malaysia bills	189,492	-	-	-
Malaysian Government securities	2,639,457	-	2,639,457	-
Malaysian Government investment certificates	1,472,003	-	1,210,158	-
Cagamas bonds	198,413	-	198,413	-
Other Government securities	106,918	-	106,918	-
	<u>4,606,283</u>	<u>-</u>	<u>4,154,946</u>	<u>-</u>
Quoted securities:				
Wholesale fund/unit trust	7,463,490	-	7,463,490	-
Foreign currency bonds in Malaysia	145,023	-	145,023	-
Foreign currency bonds outside Malaysia	185,446	-	185,446	-
Unquoted securities:				
Corporate bonds and sukuk	766,551	-	766,551	-
Shares in Malaysia	434,035	-	434,035	-
Redeemable preference shares	30,866	-	30,866	-
Total financial assets at FVTPL	<u><u>13,631,694</u></u>	<u><u>-</u></u>	<u><u>13,180,357</u></u>	<u><u>-</u></u>

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A9 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2019 RM'000	30/06/2018 RM'000	31/03/2019 RM'000	30/06/2018 RM'000
Money market instruments:				
Malaysian Government securities	-	2,441,976	-	2,441,976
Malaysian Government investment certificates	-	786,622	-	635,595
Negotiable instruments of deposit	-	2,554,359	-	2,354,549
	-	5,782,957	-	5,432,120
Quoted securities:				
Foreign currency bonds in Malaysia	-	40,093	-	40,093
Foreign currency bonds outside Malaysia	-	68,847	-	68,847
Unquoted securities:				
Corporate bonds and sukuk	-	45,605	-	45,605
Foreign currency bonds outside Malaysia	-	32,370	-	32,370
Total financial assets held-for-trading	-	5,969,872	-	5,619,035

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

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2019 RM'000	30/06/2018 RM'000	31/03/2019 RM'000	30/06/2018 RM'000
Money market instruments:				
Malaysian Government securities	242,497	-	242,497	-
Malaysian Government investment certificates	6,888,850	-	5,354,899	-
Negotiable instruments of deposit	1,698,912	-	1,402,977	-
Other Government securities	623,452	-	548,024	-
Cagamas bonds	1,295,971	-	1,041,267	-
Khazanah bonds	391,924	-	383,064	-
	<u>11,141,606</u>	<u>-</u>	<u>8,972,728</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	2,088,324	-	2,044,593	-
Foreign currency bonds outside Malaysia	1,931,166	-	1,931,166	-
Unquoted securities:				
Malaysian Government sukuk	541,638	-	377,096	-
Corporate bonds and sukuk	7,648,750	-	6,658,627	-
Shares in Malaysia	32,534	-	32,534	-
Foreign currency bonds in Malaysia	953,274	-	953,274	-
Foreign currency bonds outside Malaysia	544,213	-	544,213	-
Total financial investments at FVOCI	<u>24,881,505</u>	<u>-</u>	<u>21,514,231</u>	<u>-</u>

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

	<u>The Group</u> 31/03/2019 RM'000	<u>The Bank</u> 31/03/2019 RM'000
12-Month ECL Stage 1		
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	465	349
Financial assets derecognised	(541)	(535)
Changes due to change in credit risk	(669)	(656)
Exchange differences	17	15
At 31 March	<u>6,153</u>	<u>6,011</u>

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A11 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2019 RM'000	30/06/2018 RM'000	31/03/2019 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

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A12 Financial investments at amortised cost

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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	53,317	-	53,317	-
Malaysian Government securities	677	-	677	-
Malaysian Government investment certificates	8,215,431	-	5,573,675	-
Khazanah bonds	301,408	-	265,342	-
Other Government securities	353,934	-	302,265	-
	<u>8,924,767</u>	<u>-</u>	<u>6,195,276</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	828,349	-	828,349	-
Foreign currency bonds outside Malaysia	148,688	-	148,688	-
Unquoted securities:				
Malaysian Government sukuk	2,634,324	-	1,680,058	-
Corporate bonds and sukuk	1,985,227	-	1,588,447	-
Total financial investments at amortised cost	<u>14,521,355</u>	<u>-</u>	<u>10,440,818</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>31/03/2019</u>	<u>31/03/2019</u>
	<u>RM'000</u>	<u>RM'000</u>
12-Month ECL Stage 1		
At 1 July	-	-
Effect of adopting MFRS 9	830	827
At 1 July, as restated	830	827
New financial assets originated or purchased	248	247
Exchange differences	(2)	-
At 31 March	<u>1,076</u>	<u>1,074</u>

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A13 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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>

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A14 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	3,559,240	3,794,584	2,998,111	3,251,673
Term loans/financing:				
- Housing and shop loans/financing	74,902,586	70,332,643	60,048,105	56,771,907
- Syndicated/term loans or financing	11,011,921	9,953,665	8,362,910	7,902,161
- Hire purchase receivables	17,581,095	17,229,742	14,026,698	13,757,021
- Other term loans/financing	7,489,777	7,472,341	4,869,509	5,272,900
Credit/charge card receivables	3,552,013	3,899,183	3,552,013	3,899,183
Bills receivable	924,441	996,560	819,658	880,816
Trust receipts	389,774	328,628	291,778	283,561
Claims on customers under acceptance credits	7,594,575	7,839,208	6,943,588	7,301,016
Revolving credit	6,049,625	6,627,619	4,944,490	5,169,171
Staff loans/financing	141,651	146,027	135,071	141,341
Other loans/financing	393,352	448,360	393,348	448,356
Gross loans, advances and financing	<u>133,590,050</u>	<u>129,068,560</u>	<u>107,385,279</u>	<u>105,079,106</u>
Fair value changes arising from fair value hedges	876	(2,540)	876	(2,540)
Unamortised fair value changes arising from terminated fair value hedges	(3)	(13)	-	-
Allowance for impaired loans, advances and financing:				
- Stage 1 - 12 Months ECL	(357,442)	-	(301,216)	-
- Stage 2 - Lifetime ECL not credit impaired	(491,337)	-	(388,363)	-
- Stage 3 - Lifetime ECL credit impaired	(401,792)	-	(317,844)	-
- Collective assessment allowance	-	(804,726)	-	(621,694)
- Individual assessment allowance	-	(202,176)	-	(179,969)
Total net loans, advances and financing	<u>132,340,352</u>	<u>128,059,105</u>	<u>106,378,732</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 RM230,487,000 (2018: RM177,874,000) and RM180,454,000 (2018: RM177,874,000) respectively.

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A14 Loans, advances and financing (continued)

A14a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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	898,728	597,185	798,460	248,848
Domestic business enterprises:				
- small and medium enterprises	20,862,681	20,480,084	17,084,718	17,433,561
- others	17,916,602	16,377,193	14,787,109	13,226,492
Government and statutory bodies	13,549	19,374	3,734	7,803
Individuals	91,611,793	84,422,878	72,666,507	67,261,406
Other domestic entities	295,194	269,937	263,689	207,752
Foreign entities	1,991,503	6,901,909	1,781,062	6,693,244
Gross loans, advances and financing	<u>133,590,050</u>	<u>129,068,560</u>	<u>107,385,279</u>	<u>105,079,106</u>

A14b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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	1,687,232	2,583,078	1,109,877	1,769,012
- Hire purchase receivables	17,337,391	16,916,260	13,785,309	13,444,246
- Other fixed rate loans/financing	6,004,899	6,676,788	4,634,647	5,280,238
Variable rate:				
- Base rate/base lending rate plus	91,799,158	86,079,824	74,480,719	71,114,897
- Cost plus	16,188,281	16,407,547	13,374,727	13,470,713
- Other variables rates	573,089	405,063	-	-
Gross loans, advances and financing	<u>133,590,050</u>	<u>129,068,560</u>	<u>107,385,279</u>	<u>105,079,106</u>

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A14 Loans, advances and financing (continued)

A14c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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	711,332	382,505	523,399	381,331
Purchase of transport vehicles	17,096,073	16,893,592	13,498,911	13,370,936
Purchase of landed properties				
- residential	65,912,829	61,370,372	52,162,464	48,915,309
- non-residential	15,921,880	15,553,253	13,838,399	13,925,835
Purchase of fixed assets (excluding landed properties)	872,240	546,924	614,115	482,511
Personal use	3,329,058	3,248,454	2,032,529	2,170,175
Credit card	3,552,013	3,899,183	3,552,013	3,899,183
Construction	1,798,425	1,552,918	1,159,706	1,024,050
Mergers and acquisition	311,962	362,600	127,602	179,269
Working capital	22,713,413	23,850,860	18,963,572	19,761,563
Other purpose	1,370,825	1,407,899	912,569	968,944
Gross loans, advances and financing	<u>133,590,050</u>	<u>129,068,560</u>	<u>107,385,279</u>	<u>105,079,106</u>

A14d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	126,978,573	122,542,932	102,500,211	99,981,335
Singapore	4,885,068	5,097,771	4,885,068	5,097,771
Vietnam	573,089	405,063	-	-
Cambodia	1,153,320	1,022,794	-	-
Gross loans, advances and financing	<u>133,590,050</u>	<u>129,068,560</u>	<u>107,385,279</u>	<u>105,079,106</u>

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A14 Loans, advances and financing (continued)

A14e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Within one year	24,684,446	26,653,901	21,940,686	23,793,306
One year to less than three years	6,161,656	6,007,978	5,027,029	4,929,344
Three years to less than five years	9,449,535	9,069,429	7,222,235	6,997,601
Five years and more	93,294,413	87,337,252	73,195,329	69,358,855
Gross loans, advances and financing	<u>133,590,050</u>	<u>129,068,560</u>	<u>107,385,279</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>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Purchase of securities	200	1,256	200	1,256
Purchase of transport vehicles	128,117	134,022	98,168	101,223
Purchase of landed properties				
- residential	345,364	352,900	258,227	253,976
- non-residential	159,970	170,961	148,674	165,421
Purchase of fixed assets (excluding landed properties)	5,045	3,465	5,045	3,465
Personal use	110,247	46,682	93,116	29,519
Credit card	34,891	39,562	34,891	39,562
Construction	8,181	3,530	6,651	2,963
Working capital	277,558	369,990	252,173	306,284
Other purpose	5,099	3,134	5,099	2,564
Gross impaired loans, advances and financing	<u>1,074,672</u>	<u>1,125,502</u>	<u>902,244</u>	<u>906,233</u>

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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>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	997,125	1,112,810	831,140	904,839
Singapore	71,104	1,394	71,104	1,394
Vietnam	2,880	3,937	-	-
Cambodia	3,563	7,361	-	-
Gross impaired loans, advances and financing	<u>1,074,672</u>	<u>1,125,502</u>	<u>902,244</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>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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	1,232,253	1,663,447	956,572	1,278,452
Reclassified as non-impaired during the financial year	(666,186)	(889,043)	(485,265)	(652,719)
Amount written back in respect of recoveries	(379,791)	(387,313)	(280,174)	(329,643)
Amount written off	(238,170)	(460,834)	(196,096)	(404,026)
Exchange difference	1,064	(4,195)	974	(3,813)
At 31 March	<u>1,074,672</u>	<u>1,125,502</u>	<u>902,244</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>

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A14 Loans, advances and financing (continued)

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

The Group At 31 March 2019	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	
	RM'000	RM'000	RM'000	RM'000
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	(77,310)	(99,322)	176,632	-
Transfer to Stage 1	18,120	(17,939)	(181)	-
Transfer to Stage 2	(95,490)	168,312	(72,822)	-
Transfer to Stage 3	60	(249,695)	249,635	-
New financial assets originated	41,238	2,610	38	43,886
Financial assets derecognised	(26,783)	(30,777)	(23,716)	(81,276)
Changes due to change in credit risk	(210)	126,123	36,067	161,980
Modifications to contractual cash flows				
of financial asset	-	-	4,358	4,358
Amount written off	-	-	(211,619)	(211,619)
Exchange difference	207	90	1,042	1,339
Other movements	-	1	(40,155)	(40,154)
At 31 March	<u>357,442</u>	<u>491,337</u>	<u>401,792</u>	<u>1,250,571</u>

The Bank At 31 March 2019	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	
	RM'000	RM'000	RM'000	RM'000
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	(65,261)	(82,256)	147,517	-
Transfer to Stage 1	16,333	(16,179)	(154)	-
Transfer to Stage 2	(81,638)	134,626	(52,988)	-
Transfer to Stage 3	44	(200,703)	200,659	-
New financial assets originated	17,365	2,145	-	19,510
Financial assets derecognised	(11,017)	(20,967)	(13,822)	(45,806)
Changes due to change in credit risk	(9,453)	96,414	12,046	99,007
Modifications to contractual cash flows				
of financial asset	-	-	3,377	3,377
Amount written off	-	-	(172,353)	(172,353)
Exchange difference	146	87	1,048	1,281
Other movements	-	-	(35,526)	(35,526)
At 31 March	<u>301,216</u>	<u>388,363</u>	<u>317,844</u>	<u>1,007,423</u>

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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>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/03/2019</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 March	-	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 March	-	202,176	-	179,969

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A15 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2019 RM'000	30/06/2018 RM'000	31/03/2019 RM'000	30/06/2018 RM'000
Foreclosed properties	20,176	46	9,250	46
Sundry debtors and other prepayments	220,364	204,716	215,124	162,716
Treasury related receivables	607,475	65,547	632,774	65,547
Cash collateral pledged for derivative transactions	226,894	310,933	226,894	310,933
Other receivables	87,083	198,827	79,832	147,454
	<u>1,161,992</u>	<u>780,069</u>	<u>1,163,874</u>	<u>686,696</u>

A16 Investment in associated companies

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2019 RM'000	30/06/2018 RM'000	31/03/2019 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	2,678,070	2,225,589	-	-
Cumulative share of changes in other comprehensive income	5,492	(250)	-	-
Exchange fluctuation reserve	474,730	487,421	-	-
	<u>4,121,280</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 RM67,757,000 and the Bank of RM24,657,000 respectively.

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A17 Investment in joint venture

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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	-	-
	-	<u>57,673</u>	-	<u>24,657</u>
Equity interest held for sale	-	121,753	-	52,054
	-	<u>179,426</u>	-	<u>76,711</u>

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

In March 2017, the Board of Directors has approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The 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 RM67,757,000 and the Bank of RM24,657,000 respectively are derecognised from its investment in joint venture and classified as investment in associated companies.

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A18 Deposits from customers

A18a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Amortised cost				
Fixed deposits	91,980,953	88,222,375	73,789,339	71,745,421
Negotiable instruments of deposits	9,934,841	6,892,073	7,898,548	5,394,717
Short-term placements	17,558,332	16,950,886	14,634,047	14,687,624
	<u>119,474,126</u>	<u>112,065,334</u>	<u>96,321,934</u>	<u>91,827,762</u>
Demand deposits	22,320,074	23,638,473	19,509,060	20,232,702
Saving deposits	17,286,516	17,563,850	14,278,710	14,657,220
Others	927,131	979,288	778,063	847,170
	<u>160,007,847</u>	<u>154,246,945</u>	<u>130,887,767</u>	<u>127,564,854</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	3,050,801	3,334,428	2,250,545	2,132,691
Fair value changes arising from designation at fair value through profit or loss *	(66,060)	(167,278)	(54,778)	(114,120)
	<u>2,984,741</u>	<u>3,167,150</u>	<u>2,195,767</u>	<u>2,018,571</u>
	<u>162,992,588</u>	<u>157,414,095</u>	<u>133,083,534</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>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</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	8,032,237	3,977,104	5,956,029	2,016,899
Business enterprises	66,712,832	62,744,665	51,790,130	48,300,831
Individuals	85,227,785	88,159,470	72,990,095	77,108,346
Others	3,019,734	2,532,856	2,347,280	2,157,349
	<u>162,992,588</u>	<u>157,414,095</u>	<u>133,083,534</u>	<u>129,583,425</u>

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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>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Due within six months	95,472,831	83,581,278	76,438,740	67,728,986
More than six months to one year	22,138,729	26,159,087	18,284,853	21,998,104
More than one year to five years	1,838,335	2,324,969	1,574,110	2,100,672
More than five years	24,231	-	24,231	-
	<u>119,474,126</u>	<u>112,065,334</u>	<u>96,321,934</u>	<u>91,827,762</u>

A19 Investment accounts of customers

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Unrestricted investment accounts	<u>263</u>	<u>-</u>	<u>-</u>	<u>-</u>

A20 Deposits and placements of banks and other financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Licensed banks	4,492,544	7,084,745	4,582,623	7,095,827
Licensed investment banks	68,518	150,027	68,518	150,027
Licensed Islamic banks	135,000	-	-	-
Other financial institutions	1,640	2,662	-	-
	<u>4,697,702</u>	<u>7,237,434</u>	<u>4,651,141</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>4,697,702</u>	<u>7,237,434</u>	<u>4,651,141</u>	<u>7,245,854</u>

A21 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>31/03/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Zakat	612	350	-	-
Post employment benefits obligation				
- defined contribution plan	299	297	299	297
Loan advance payment	3,319,438	3,229,766	2,665,810	2,586,339
Treasury and cheque clearing	554,615	50,106	230,939	50,106
Treasury related payables	122,847	231,223	122,847	231,223
Sundry creditors and accruals	376,829	531,979	344,629	494,991
Provision for bonus and staff related expenses	128,600	176,617	122,226	168,984
Others	463,898	499,108	425,641	400,229
	<u>4,967,138</u>	<u>4,719,446</u>	<u>3,912,391</u>	<u>3,932,169</u>

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A22 Tier 2 subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>31/03/2019</u>	<u>30/06/2018</u>	<u>31/03/2019</u>	<u>30/06/2018</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,123	1,664	18,123	1,664
		<u>1,518,123</u>	<u>1,501,664</u>	<u>1,518,123</u>	<u>1,501,664</u>
Less: Unamortised discounts		(33)	(91)	(33)	(91)
		<u>1,518,090</u>	<u>1,501,573</u>	<u>1,518,090</u>	<u>1,501,573</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	400,000	400,000	-	-
Add: Profit payable		5,523	684	-	-
		<u>405,523</u>	<u>400,684</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(31)	(54)	-	-
		<u>405,492</u>	<u>400,630</u>	<u>-</u>	<u>-</u>
RM1.0 billion Tier 2 subordinated notes, at par	(c)	1,000,000	1,000,000	1,000,000	1,000,000
Add: Interest payable		12,835	794	12,835	794
		<u>1,012,835</u>	<u>1,000,794</u>	<u>1,012,835</u>	<u>1,000,794</u>
Less: Unamortised discounts		(33)	(89)	(33)	(89)
		<u>1,012,802</u>	<u>1,000,705</u>	<u>1,012,802</u>	<u>1,000,705</u>
		<u>2,936,384</u>	<u>2,902,908</u>	<u>2,530,892</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, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment date thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

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

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A22 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.

A23 Multi-currency Additional Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>
RM800 million Multi-currency Additional Tier-1 capital securities at par	800,000	400,000
Add: Interest payable	7,014	1,799
	<u>807,014</u>	<u>401,799</u>
Less: Unamortised discounts	(509)	(607)
	<u>806,505</u>	<u>401,192</u>

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual Multi-currency Additional Tier 1 capital securities ("Capital Securities") under the RM10.0 billion Capital Securities Programme of which was fully subscribed by its holding company, HLFG. 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.

Subsequently, on 29 March 2019 the Bank issued a second tranche nominal value of RM400.0 million perpetual Capital Securities fully subscribed by HLFG. The Capital Securities carry a distribution rate of 4.72% per annum and are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance shall be utilised to fulfill the requirements of Additional Tier 1 capital as per BNM's *Capital Adequacy Framework (Capital Components)* issued on 2 February 2018 and without limitation, to on-lend to HLB's subsidiaries, for investment into HLB's subsidiaries, for working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing financing obligations of HLB and/or any existing capital securities issued under the Capital Securities Programme.

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A24 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>31/03/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	2,373	12,545
	<u>502,373</u>	<u>512,545</u>
Less: Unamortised discounts	(941)	(2,439)
Fair value adjustments on completion of business combination accounting	394	2,246
	<u><u>501,826</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.

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A25 Interest income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Loan, advances and financing	1,215,151	1,150,003	3,623,630	3,468,678
Money at call and deposit placements with financial institutions	51,358	65,850	166,778	153,940
Securities purchased under resale agreements	11	1,515	11	3,553
Financial assets at FVTPL	101,066	-	292,635	-
Financial assets held-for-trading	-	90,251	-	285,418
Financial investments at FVOCI	207,841	-	625,461	-
Financial investments available-for-sale	-	187,623	-	553,893
Financial investments at amortised cost	105,135	-	331,997	-
Financial investments held-to-maturity	-	90,685	-	277,630
Others	3,583	670	7,452	2,115
	<u>1,684,145</u>	<u>1,586,597</u>	<u>5,047,964</u>	<u>4,745,227</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>3,181</u>	<u>12,726</u>	<u>10,967</u>	<u>39,808</u>
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	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Loan, advances and financing	1,187,839	1,130,599	3,546,069	3,409,913
Money at call and deposit placements with financial institutions	48,727	63,781	164,338	151,774
Securities purchased under resale agreements	11	1,515	11	3,553
Financial assets at FVTPL	101,066	-	292,635	-
Financial assets held-for-trading	-	90,251	-	285,500
Financial investments at FVOCI	208,028	-	625,572	-
Financial investments available-for-sale	-	186,819	-	551,105
Financial investments at amortised cost	104,264	-	328,743	-
Financial investments held-to-maturity	-	89,563	-	274,011
Others	3,487	568	7,264	1,808
	<u>1,653,422</u>	<u>1,563,096</u>	<u>4,964,632</u>	<u>4,677,664</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>3,181</u>	<u>12,726</u>	<u>10,967</u>	<u>39,808</u>
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HONG LEONG BANK BERHAD
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A26 Interest expense

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	73,754	46,355	213,307	120,617
Deposits from customers	776,458	711,535	2,277,188	2,065,152
Short-term placements	96,669	76,062	322,671	245,895
Tier 2 subordinated bonds	28,576	22,645	87,043	68,988
Multi-currency Additional Tier-1 capital securities	5,206	5,051	15,533	7,676
Innovative Tier 1 capital securities	10,259	9,552	30,610	28,479
Recourse obligation on loans sold to Cagamas	1,875	1,875	5,707	5,707
	<u>992,797</u>	<u>873,075</u>	<u>2,952,059</u>	<u>2,542,514</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	74,395	47,502	221,396	126,335
Deposits from customers	764,773	699,979	2,243,733	2,030,748
Short-term placements	96,669	76,062	322,671	245,895
Tier 2 subordinated bonds	28,576	22,645	87,043	68,988
Multi-currency Additional Tier-1 capital securities	5,247	5,092	15,657	6,902
Innovative Tier 1 capital securities	10,259	9,552	30,610	28,479
Recourse obligation on loans sold to Cagamas	1,875	1,875	5,707	5,707
	<u>981,794</u>	<u>862,707</u>	<u>2,926,817</u>	<u>2,513,054</u>

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A27 Net income from Islamic Banking business

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Group				
Income derived from investment of depositors' funds and others	388,474	320,000	1,099,496	937,654
of which Finance income	377,606	319,679	1,082,273	933,179
of which other operating income	10,868	321	17,223	4,475
Income derived from investment of shareholders' funds	31,838	40,362	118,792	113,367
of which Finance income	20,186	27,798	81,461	81,146
of which other operating income	11,652	12,564	37,331	32,221
Income derived from investment of investment account	2	-	2	-
Income attributable to depositors	(231,845)	(193,682)	(686,001)	(567,698)
Income attributable to depositors on investment account	(1)	-	(1)	-
	188,468	166,680	532,288	483,323

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A28 Other operating income

<u>Group</u>	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
(a) Fee income:				
Commissions	36,534	42,291	124,406	130,253
Service charges and fees	12,597	17,544	39,343	48,113
Guarantee fees	3,359	4,269	11,404	10,706
Credit card related fees	57,869	53,277	180,128	168,515
Corporate advisory fees	138	52	1,307	427
Commitment fees	8,149	8,056	24,373	25,028
Fee on loans, advances and financing	8,641	10,272	27,885	29,299
Other fee income	13,589	11,845	26,868	25,821
	<u>140,876</u>	<u>147,606</u>	<u>435,714</u>	<u>438,162</u>
(b) (Loss)/gain arising from sale of financial assets:				
Net gain from sale of financial assets at FVTPL	22,979	-	66,249	-
Net gain from sale of financial assets held-for-trading	-	1,581	-	16,666
Net (loss)/gain from sale of derivative financial instruments	(100,710)	121,822	(211,301)	97,382
Net gain from sale of financial investments at FVOCI	51,171	-	74,892	-
Net gain from sale of financial investments available-for-sale	-	61,112	-	133,144
Net gain from sale of financial investments at amortised cost	15,902	-	15,902	-
Net gain from redemption of financial investments held-to-maturity	-	3	-	3
	<u>(10,658)</u>	<u>184,518</u>	<u>(54,258)</u>	<u>247,195</u>
(c) Gross dividend income from:				
Financial assets at FVTPL	66,781	-	210,045	-
Financial investments at FVOCI	-	-	203	-
Financial investments available-for-sale	-	68,266	-	205,638
	<u>66,781</u>	<u>68,266</u>	<u>210,248</u>	<u>205,638</u>

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A28 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets at FVTPL	26,369	-	42,752	-
- Financial assets held-for-trading	-	378	-	(2,327)
- Derivatives financial instruments	10,466	(64,373)	60,330	3,601
	<u>36,835</u>	<u>(63,995)</u>	<u>103,082</u>	<u>1,274</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(109)</u>	<u>(259)</u>	<u>(290)</u>	<u>(704)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(149)</u>	<u>(102)</u>	<u>(197)</u>	<u>(138)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	46,415	33,082	124,134	66,075
Rental income	3,330	2,232	8,676	5,795
Gain on disposal of property and equipment	6	784	289	2,546
Net gain on divestment of joint venture	-	-	90,106	-
Other non-operating income	3,673	3,732	12,314	11,372
	<u>53,424</u>	<u>39,830</u>	<u>235,519</u>	<u>85,788</u>
Total other operating income	<u>287,000</u>	<u>375,864</u>	<u>929,818</u>	<u>977,215</u>

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A28 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	35,823	41,315	122,070	127,291
Service charges and fees	12,035	17,396	38,026	47,668
Guarantee fees	3,337	4,254	11,311	10,646
Credit card related fees	57,869	53,277	180,128	168,515
Corporate advisory fees	138	52	1,307	427
Commitment fees	7,892	7,883	23,661	24,541
Fee on loans, advances and financing	7,910	9,400	25,289	26,306
Other fee income	13,556	11,816	26,738	25,695
	<u>138,560</u>	<u>145,393</u>	<u>428,530</u>	<u>431,089</u>
(b) <u>(Loss)/gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	22,979	-	66,249	-
Net gain from sale of financial assets held-for-trading	-	1,581	-	16,666
Net (loss)/gain from sale of derivative financial instruments	(100,710)	121,822	(211,301)	97,382
Net gain from sale of financial investments at FVOCI	51,171	-	74,892	-
Net gain from sale of financial investments available-for-sale	-	61,112	-	132,925
Net gain from sale of financial investments at amortised cost	15,902	-	15,902	-
Net gain from redemption of financial investments held-to-maturity	-	3	-	3
	<u>(10,658)</u>	<u>184,518</u>	<u>(54,258)</u>	<u>246,976</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	20,020	43,400	20,020	43,400
Associated company	-	-	3,976	-
Investment in joint venture	-	-	-	4,882
Financial assets at FVTPL	66,781	-	210,045	-
Financial investments at FVOCI	-	-	203	-
Financial investments available-for-sale	-	68,266	-	205,638
	<u>86,801</u>	<u>111,666</u>	<u>234,244</u>	<u>253,920</u>

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A28 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets at FVTPL	26,369	-	42,752	-
- Financial assets held-for-trading	-	378	-	(2,327)
- Derivatives financial instruments	10,466	(64,373)	60,330	3,601
	<u>36,835</u>	<u>(63,995)</u>	<u>103,082</u>	<u>1,274</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(109)</u>	<u>(259)</u>	<u>(290)</u>	<u>(704)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(149)</u>	<u>(102)</u>	<u>(197)</u>	<u>(138)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	45,884	32,768	122,387	64,971
Rental income	2,090	1,295	5,268	4,133
Gain on disposal of property and equipment	6	784	289	2,546
Net gain on divestment of joint venture	-	-	138,101	-
Other non-operating income	3,490	3,581	11,708	10,962
	<u>51,470</u>	<u>38,428</u>	<u>277,753</u>	<u>82,612</u>
Total other operating income	<u>302,750</u>	<u>415,649</u>	<u>988,864</u>	<u>1,015,029</u>

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A29 Other operating expenses

<u>Group</u>	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	265,824	255,503	785,007	768,500
- Medical expenses	8,720	8,897	21,429	24,247
- Training and convention expenses	4,838	5,381	17,479	18,722
- Staff welfare	2,702	2,816	7,059	6,818
- Others	4,121	4,423	27,140	17,176
	<u>286,205</u>	<u>277,020</u>	<u>858,114</u>	<u>835,463</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,191	35,412	98,549	88,365
- Amortisation of intangible assets	13,436	18,786	40,426	56,581
- Rental of premises	14,483	17,752	44,531	57,800
- Information technology expenses	44,649	42,609	129,641	122,665
- Security services	7,425	7,954	21,245	20,768
- Electricity, water and sewerage	6,703	6,305	18,851	19,948
- Hire of plant and machinery	3,160	3,188	9,280	9,511
- Others	8,987	9,139	26,117	24,816
	<u>132,034</u>	<u>141,145</u>	<u>388,640</u>	<u>400,454</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	8,495	8,505	16,322	26,351
- Sales commission and credit card related fees	30,038	26,193	94,909	82,729
- Others	4,152	4,371	14,360	12,035
	<u>42,685</u>	<u>39,069</u>	<u>125,591</u>	<u>121,115</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,382	4,319	13,136	12,452
- Stationery and printing expenses	3,507	4,432	10,501	11,144
- Professional fees	21,259	21,020	64,850	63,439
- Insurance fees	10,818	10,555	32,156	31,895
- Stamp, postage and courier	4,169	4,923	10,230	12,285
- Travelling and transport expenses	1,123	1,100	3,381	3,021
- Registration and license fees	2,086	2,320	6,591	6,868
- Brokerage and commission	2,421	2,106	6,211	5,527
- Credit card fees	10,309	9,733	31,310	30,283
- Others	3,497	8,894	10,805	15,677
	<u>64,571</u>	<u>69,402</u>	<u>189,171</u>	<u>192,591</u>
	<u>525,495</u>	<u>526,636</u>	<u>1,561,516</u>	<u>1,549,623</u>

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A29 Other operating expenses (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	219,468	213,138	646,800	642,800
- Medical expenses	7,413	7,683	17,914	20,913
- Training and convention expenses	3,970	4,078	14,650	15,138
- Staff welfare	2,384	2,507	6,087	5,884
- Others	2,806	2,718	22,000	12,598
	<u>236,041</u>	<u>230,124</u>	<u>707,451</u>	<u>697,333</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	29,219	27,773	86,161	77,306
- Amortisation of intangible assets	12,343	17,767	37,174	53,486
- Rental of premises	17,653	22,229	54,702	68,040
- Information technology expenses	40,888	39,776	118,895	114,250
- Security services	5,854	6,290	16,762	16,299
- Electricity, water and sewerage	5,432	4,710	15,573	15,087
- Hire of plant and machinery	2,986	3,036	8,805	9,029
- Others	4,503	3,230	13,040	11,967
	<u>118,878</u>	<u>124,811</u>	<u>351,112</u>	<u>365,464</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	8,002	7,950	14,451	24,394
- Sales commission and credit card related fees	30,038	26,193	94,909	82,729
- Others	2,838	3,631	10,666	10,212
	<u>40,878</u>	<u>37,774</u>	<u>120,026</u>	<u>117,335</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,290	4,205	12,860	12,145
- Stationery and printing expenses	3,366	4,194	9,990	10,419
- Professional fees	20,574	19,237	63,705	59,892
- Insurance fees	9,530	9,096	28,371	27,818
- Stamp, postage and courier	4,127	4,807	10,068	12,027
- Travelling and transport expenses	812	814	2,486	2,211
- Registration and license fees	1,848	2,078	5,859	6,127
- Brokerage and commission	1,386	1,101	3,421	2,767
- Credit card fees	10,309	9,733	31,310	30,283
- Others	5,272	7,280	14,405	12,701
	<u>62,514</u>	<u>62,545</u>	<u>182,475</u>	<u>176,390</u>
	<u>458,311</u>	<u>455,254</u>	<u>1,361,064</u>	<u>1,356,522</u>

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A30 Allowance for/(write back of) impairment losses on loans, advances and financing

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for/(write back of) impairment on loans, advances and financing:				
- expected credit losses on loans, advances and financing	55,065	-	128,948	-
- collective assessment allowance	-	72,301	-	228,174
- individual assessment allowance	-	(2,770)	-	13,323
Credit impaired/impairment loans, advances and financing:				
- written off	4,670	4,539	13,761	15,118
- recovered from bad debt written off	(55,045)	(61,111)	(177,390)	(189,767)
	<u>4,690</u>	<u>12,959</u>	<u>(34,681)</u>	<u>66,848</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
(Write back of)/allowance for impairment on loans, advances and financing:				
- expected credit losses on loans, advances and financing	30,141	-	76,088	-
- collective assessment allowance	-	57,089	-	175,317
- individual assessment allowance	-	(2,827)	-	1,368
Credit impaired/impairment loans, advances and financing:				
- written off	3,364	3,588	11,189	12,442
- recovered from bad debt written off	(49,341)	(54,322)	(158,171)	(153,673)
	<u>(15,836)</u>	<u>3,528</u>	<u>(70,894)</u>	<u>35,454</u>

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A31 Write back of impairment losses on financial investments

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Expected credit losses on:				
- Financial investments at FVOCI	(919)	-	(745)	-
- Financial investments at amortised cost	63	-	248	-
- Other receivables	-	-	(225)	-
Write back of impairment losses on:				
- Financial investments available-for-sale	-	(98)	-	(98)
- Financial investments held-to-maturity	-	(1,845)	-	(2,401)
	<u>(856)</u>	<u>(1,943)</u>	<u>(722)</u>	<u>(2,499)</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Expected credit losses on:				
- Financial investments at FVOCI	(992)	-	(842)	-
- Financial investments at amortised cost	63	-	247	-
- Other receivables	-	-	(225)	-
Write back of impairment losses on:				
- Financial investments available-for-sale	-	(98)	-	(98)
- Financial investments held-to-maturity	-	(1,845)	-	(2,401)
	<u>(929)</u>	<u>(1,943)</u>	<u>(820)</u>	<u>(2,499)</u>

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A32 (Write back of)/allowance for impairment losses on other financial assets

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Expected credit losses on:				
- Cash and short-term funds	(962)	-	118	-
- Deposits and placements with banks and other financial institutions	737	-	214	-
	<u>(225)</u>	<u>-</u>	<u>332</u>	<u>-</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Expected credit losses on:				
- Cash and short-term funds	290	-	290	-
- Deposits and placements with banks and other financial institutions	(20)	-	934	-
	<u>270</u>	<u>-</u>	<u>1,224</u>	<u>-</u>

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A33 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 2019 are 7.000%, 8.500% and 10.500% respectively.

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

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

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

	The Group		The Bank	
	Financial Period Ended	Financial Year Ended	Financial Period Ended	Financial Year Ended
	31/03/2019	30/06/2018	31/03/2019	30/06/2018
Before deducting proposed dividends				
CET I capital ratio	12.620%	13.113%	12.426%	12.545%
Tier I capital ratio	13.586%	13.797%	13.232%	12.997%
Total capital ratio	<u>16.444%</u>	<u>16.752%</u>	<u>16.432%</u>	<u>16.301%</u>
After deducting proposed dividends				
CET I capital ratio	12.620%	12.614%	12.426%	11.949%
Tier I capital ratio	13.586%	13.298%	13.232%	12.401%
Total capital ratio	<u>16.444%</u>	<u>16.253%</u>	<u>16.432%</u>	<u>15.706%</u>

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A33 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/03/2019 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Period Ended 31/03/2019 RM'000	Financial Year Ended 30/06/2018 RM'000
CET I capital				
Share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	15,259,366	15,184,533	11,222,318	11,212,525
Other reserves	822,798	868,134	267,348	298,837
Less: Treasury shares	(729,361)	(732,267)	(729,361)	(732,267)
Less: Deferred tax assets	(41,586)	(53,067)	(28,689)	(47,908)
Less: Other intangible assets	(122,395)	(152,541)	(107,646)	(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	(4,121,280)	(3,830,517)	(2,727,377)	(2,778,569)
Total CET I capital	16,975,293	17,192,026	13,864,109	13,782,968
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	799,491	399,393	799,491	399,393
Innovative Tier I capital securities	499,059	497,562	499,059	497,562
Additional Tier I capital before regulatory adjustments	1,298,550	896,955	1,298,550	896,955
Less : Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	1,298,550	896,955	898,550	496,955
Total Tier I capital	18,273,843	18,088,981	14,762,659	14,279,923
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves [#]	1,536,149	-	1,263,156	-
Collective assessment allowance [^] and regulatory reserves [#]	-	1,375,082	-	1,130,670
Subordinated bonds	2,499,934	2,499,820	2,499,934	2,499,820
Less: Phase out adjustment	(191,967)	-	(191,967)	-
Tier II capital before regulatory adjustments	3,844,116	3,874,902	3,571,123	3,630,490
Less : Investment in subsidiary companies/ associated company/joint venture	-	-	-	-
Total Tier II capital	3,844,116	3,874,902	3,571,123	3,630,490
Total capital	22,117,959	21,963,883	18,333,782	17,910,413

[#] Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM842,572,000 (2018: RM741,694,000) and RM695,730,000 (2018: RM637,098,000) respectively.

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

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A33 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/03/2019 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Period Ended 31/03/2019 RM'000	Financial Year Ended 30/06/2018 RM'000
Credit risk *	122,891,880	118,853,998	101,052,458	98,504,099
Market risk	3,050,527	3,850,444	3,260,159	4,140,291
Operational risk	8,565,808	8,403,939	7,258,890	7,226,134
Total RWA	134,508,215	131,108,381	111,571,507	109,870,524

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM171,000 is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	Financial Period Ended 31/03/2019	Financial Year Ended 30/06/2018
Before deducting proposed dividends		
CET I capital ratio	10.452%	10.461%
Tier I capital ratio	12.289%	12.404%
Total capital ratio	<u>15.286%</u>	<u>15.477%</u>
After deducting proposed dividends		
CET I capital ratio	10.452%	10.461%
Tier I capital ratio	12.289%	12.404%
Total capital ratio	<u>15.286%</u>	<u>15.477%</u>

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A34 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 31/03/2019

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	699,629	141,711	322,202	71,208	(39,729)	(28,205)	1,166,816
Inter-segment revenue	(77,418)	141,435	(181,654)	-	117,637	-	-
Segment revenue	<u>622,211</u>	<u>283,146</u>	<u>140,548</u>	<u>71,208</u>	<u>77,908</u>	<u>(28,205)</u>	<u>1,166,816</u>
Segment profit before taxation	276,228	177,527	112,721	13,512	88,042	(30,318)	637,712
Share of profit after tax of equity accounted associated companies				140,943			140,943
Profit before taxation							<u>778,655</u>
Taxation							(144,757)
Profit after taxation							<u><u>633,898</u></u>

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A34 Group segmental reporting on revenue, profit and assets (continued)

Financial period ended 31/03/2019

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	2,048,790	486,651	908,938	195,938	14,253	(96,559)	3,558,011
Inter-segment revenue	(161,054)	381,450	(560,712)	-	340,316	-	-
Segment revenue	<u>1,887,736</u>	<u>868,101</u>	<u>348,226</u>	<u>195,938</u>	<u>354,569</u>	<u>(96,559)</u>	<u>3,558,011</u>
Segment profit before taxation	846,040	613,450	268,391	28,449	377,815	(102,579)	2,031,566
Share of profit after tax of equity accounted associated companies				421,425			421,425
Profit before taxation							<u>2,452,991</u>
Taxation							(424,932)
Profit after taxation							<u>2,028,059</u>
Segment assets	94,840,444	31,224,481	55,338,799	13,851,136	-	-	195,254,860
Unallocated assets							10,892,306
Total assets							<u>206,147,166</u>

Corresponding quarter ended 31/03/2018

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	644,698	167,534	378,688	57,418	59,471	(51,743)	1,256,066
Inter-segment revenue	(19,634)	110,564	(202,047)	-	111,117	-	-
Segment revenue	<u>625,064</u>	<u>278,098</u>	<u>176,641</u>	<u>57,418</u>	<u>170,588</u>	<u>(51,743)</u>	<u>1,256,066</u>
Segment profit before taxation	278,909	208,751	149,419	3,881	135,113	(57,659)	718,414
Share of profit after tax of equity accounted associated company				131,300			131,300
Share of profit after tax of equity accounted joint venture				5,412			5,412
Profit before taxation							<u>855,126</u>
Taxation							(165,095)
Profit after taxation							<u>690,031</u>

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A34 Group segmental reporting on revenue, profit and assets (continued)

Corresponding financial period ended 31/03/2018

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	1,986,041	494,940	1,035,729	180,046	37,558	(71,063)	3,663,251
Inter-segment revenue	(54,784)	345,602	(575,854)	-	285,036	-	-
Segment revenue	<u>1,931,257</u>	<u>840,542</u>	<u>459,875</u>	<u>180,046</u>	<u>322,594</u>	<u>(71,063)</u>	<u>3,663,251</u>
Segment profit before taxation	875,791	611,589	382,001	44,179	212,471	(76,752)	2,049,279
Share of profit after tax of equity accounted associated company				404,431			404,431
Share of profit after tax of equity accounted joint venture				14,907			14,907
Profit before taxation							<u>2,468,617</u>
Taxation							(456,547)
Profit after taxation							<u>2,012,070</u>
Segment assets	89,498,742	29,062,025	56,079,956	12,415,158	-	-	187,055,881
Unallocated assets							10,229,055
Total assets							<u>197,284,936</u>

A35 Property and equipment

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

A36(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 March 2019.

A36(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 March 2019.

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A37 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	
	31/03/2019 RM'000	30/06/2018 RM'000	31/03/2019 RM'000	30/06/2018 RM'000
Principal amount				
Direct credit substitutes	99,484	108,341	46,116	50,361
Certain transaction related contingent items	1,384,391	1,286,782	1,258,640	1,165,364
Short-term self liquidating trade related contingencies	726,376	831,871	683,531	800,721
Irrevocable commitments to extend credit:				
- maturity more than one year	16,852,012	14,301,856	12,368,760	10,410,497
- maturity less than one year	19,629,228	16,074,688	16,228,437	14,108,380
Foreign exchange related contracts:				
- less than one year	38,895,654	42,895,473	37,334,944	41,893,038
- one year to less than five years	4,137,375	2,640,932	4,137,375	2,640,932
- five years and above	297,555	517,408	297,555	517,408
Interest rate related contracts:				
- less than one year	80,997,030	28,281,796	80,997,030	28,281,796
- one year to less than five years	38,446,268	46,342,804	39,691,268	48,687,804
- five years and above	4,191,839	6,839,805	4,441,839	6,389,805
Equity related contracts:				
- less than one year	449,371	306,258	449,371	306,258
- one year to less than five years	258,198	503,502	258,198	503,502
Credit related contracts:				
- five years and above	47,411	-	47,411	-
Unutilised credit card lines	7,374,504	6,908,565	7,374,504	6,908,565
Total	213,786,696	167,840,081	205,614,979	162,664,431

A38 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.

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A39 Fair value of financial instruments

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

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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A39 Fair value of financial instruments (continued)

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

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

	The Group			
	Financial Period Ended 31/03/2019			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets at FVTPL				
- Money market instrument	-	4,606,283	-	4,606,283
- Quoted securities	7,793,959	-	-	7,793,959
- Unquoted securities	-	797,417	434,035	1,231,452
Financial investments at FVOCI				
- Money market instrument	-	11,141,606	-	11,141,606
- Quoted securities	4,019,490	-	-	4,019,490
- Unquoted securities	-	9,687,875	32,534	9,720,409
Derivative financial instruments	1,708	519,263	4,315	525,286
	<u>11,815,157</u>	<u>26,752,444</u>	<u>470,884</u>	<u>39,038,485</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	5,092	623,957	4,315	633,364
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,984,741	-	2,984,741
	<u>5,092</u>	<u>3,608,698</u>	<u>4,315</u>	<u>3,618,105</u>

	The Group			
	Financial Year Ended 30/06/2018			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	5,782,957	-	5,782,957
- Quoted securities	108,940	-	-	108,940
- Unquoted securities	-	77,975	-	77,975
Financial investments available-for-sale				
- Money market instrument	-	7,210,876	-	7,210,876
- Quoted securities	11,756,789	-	-	11,756,789
- Unquoted securities	-	12,427,759	467,512	12,895,271
Derivative financial instruments	1,221	902,970	13,876	918,067
	<u>11,866,950</u>	<u>26,402,537</u>	<u>481,388</u>	<u>38,750,875</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	4,913	1,001,407	13,876	1,020,196
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,167,150	-	3,167,150
	<u>4,913</u>	<u>4,168,557</u>	<u>13,876</u>	<u>4,187,346</u>

The Group 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).

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A39 Fair value of financial instruments (continued)

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

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

	The Bank			
	Financial Period Ended 31/03/2019			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets at FVTPL				
- Money market instrument	-	4,154,946	-	4,154,946
- Quoted securities	7,793,959	-	-	7,793,959
- Unquoted securities	-	797,417	434,035	1,231,452
Financial investments at FVOCI				
- Money market instrument	-	8,972,728	-	8,972,728
- Quoted securities	3,975,759	-	-	3,975,759
- Unquoted securities	-	8,533,210	32,534	8,565,744
Derivative financial instruments	1,708	521,736	4,315	527,759
	<u>11,771,426</u>	<u>22,980,037</u>	<u>470,884</u>	<u>35,222,347</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	5,092	618,636	4,315	628,043
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,195,767	-	2,195,767
	<u>5,092</u>	<u>2,814,403</u>	<u>4,315</u>	<u>2,823,810</u>
The Bank				
Financial Year Ended 30/06/2018				
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	5,432,120	-	5,432,120
- Quoted securities	108,940	-	-	108,940
- Unquoted securities	-	77,975	-	77,975
Financial investments available-for-sale				
- Money market instrument	-	5,739,723	-	5,739,723
- Quoted securities	11,745,511	-	-	11,745,511
- Unquoted securities	-	11,065,834	467,512	11,533,346
Derivative financial instruments	1,221	917,829	13,876	932,926
	<u>11,855,672</u>	<u>23,233,481</u>	<u>481,388</u>	<u>35,570,541</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	4,913	964,891	13,876	983,680
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,018,571	-	2,018,571
	<u>4,913</u>	<u>2,983,462</u>	<u>13,876</u>	<u>3,002,251</u>

The Bank 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).

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A39 Fair value of financial instruments (continued)

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

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

The Group 2019	Financial Assets			Derivative financial instruments RM'000	Financial Liability Derivative financial instruments RM'000
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments available-for-sale RM'000		
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	-	-	-	(9,168)	(9,168)
Net fair value changes recognised in other comprehensive income	-	(943)	-	-	-
Purchases	-	-	-	1,562	1,562
Settlements	-	-	-	(1,955)	(1,955)
At 31 March	434,035	32,534	-	4,315	4,315
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2019	-	-	-	(9,168)	(9,168)
Total loss recognised in other comprehensive income relating to assets held on 31 March 2019	-	(943)	-	-	-

The Bank 2019	Financial Assets			Derivative financial instruments RM'000	Financial Liability Derivative financial instruments RM'000
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments available-for-sale RM'000		
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	-	-	-	(9,168)	(9,168)
Net fair value changes recognised in other comprehensive income	-	(943)	-	-	-
Purchases	-	-	-	1,562	1,562
Settlements	-	-	-	(1,955)	(1,955)
At 31 March	434,035	32,534	-	4,315	4,315
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2019	-	-	-	(9,168)	(9,168)
Total loss recognised in other comprehensive income relating to assets held on 31 March 2019	-	(943)	-	-	-

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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:

	Impact of adopting MFRS 9 as at 1 July 2018	
	The Group RM'000	The Bank RM'000
Cash and short-term funds		
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>
Deposits and placements with banks and other financial institutions		
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>
Financial assets at FVTPL		
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>
Financial assets held-for-trading		
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>
Financial investments at FVOCI		
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>

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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):

	Impact of adopting MFRS 9 as at 1 July 2018	
	The Group RM'000	The Bank RM'000
Financial investments available-for-sale		
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>
Financial investments at amortised cost		
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>
Financial investments held-to-maturity		
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>
Loans, advances and financing		
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>
Deferred tax assets		
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>

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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):

	Impact of adopting MFRS 9 as at 1 July 2018	
	The Group RM'000	The Bank RM'000
Retained profits		
Closing balance under MFRS 139 as at 30 June 2018	15,184,533	11,212,525
- transfer from 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>
Regulatory reserves		
Closing balance under MFRS 139 as at 30 June 2018	752,939	637,098
- transfer to retained profits	(4,280)	(32,008)
Opening balance under MFRS 9 as at 1 July 2018	<u>748,659</u>	<u>605,090</u>
Other reserves		
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>
Provision for taxation		
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>

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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):

The Group				
Statements of Financial Position		Classification	Expected	
	30 June 2018	and	credit losses	1 July 2018
	RM'000	measurement	RM'000	RM'000
		RM'000		
ASSETS				
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
TOTAL ASSETS	202,890,773	35,610	(340,938)	202,585,445

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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):

The Group				
Statements of Financial Position	30 June 2018	Classification	Expected	1 July 2018
	RM'000	and	credit losses	RM'000
		measurement	RM'000	RM'000
		RM'000		
LIABILITIES AND SHAREHOLDERS' EQUITY				
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
TOTAL LIABILITIES	178,998,514	6,952	(87,486)	178,917,980
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)
TOTAL SHAREHOLDERS' EQUITY	23,892,259	61,329	(286,123)	23,667,465
TOTAL LIABILITIES AND EQUITY	202,890,773	68,281	(373,609)	202,585,445

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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):

The Bank				
Statements of Financial Position		Classification and measurement	Expected credit losses	
	30 June 2018 RM'000	RM'000	RM'000	1 July 2018 RM'000
ASSETS				
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
TOTAL ASSETS	169,111,037	31,367	(327,134)	168,815,270

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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):

The Bank				
Statements of Financial Position	30 June 2018	Classification	Expected	1 July 2018
	RM'000	and	credit losses	RM'000
		measurement	RM'000	RM'000
		RM'000		
LIABILITIES AND SHAREHOLDERS' EQUITY				
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
TOTAL LIABILITIES	149,847,950	3,215	(81,349)	149,769,816
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)
TOTAL SHAREHOLDERS' EQUITY	19,263,087	45,250	(262,883)	19,045,454
TOTAL LIABILITIES AND EQUITY	169,111,037	48,465	(344,232)	168,815,270

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

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a pre-tax profit of RM778.7 million for the current financial quarter ended 31 March 2019, a decrease of RM76.5 million or 8.9% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to lower net income of RM89.3 million. However, this was mitigated by lower operating expenses of RM1.1 million, lower allowance for impairment losses on loans, advances and financing of RM8.3 million and higher share of profit from associated company of RM4.2 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 RM276.2 million for the third quarter ended 31 March 2019 as compared to previous corresponding quarter of RM278.9 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 RM177.5 million for the third quarter ended 31 March 2019 as compared to previous corresponding quarter of RM208.8 million. The decrease in pre-tax profit was mainly contributed by higher total operating expenses, higher allowance for impairment losses on loans, advances and financing, partially offset by higher total income.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM112.7 million for the third quarter ended 31 March 2019 as compared to previous corresponding quarter of RM149.4 million. The decrease in pre-tax profit was mainly contributed by lower total income and higher operating expenses, partially offset by lower impairment losses on financial investments and other financial assets.

International Banking

The International Banking's segment recorded a pre-tax profit of RM154.5 million for the third quarter ended 31 March 2019 as compared to previous corresponding quarter of RM140.6 million. The increase in pre-tax profit was mainly contributed by higher total income, lower allowance for impairment losses on loans, advances and higher share of profit from associated company in China, partially offset by higher operating expenses.

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B1 Review of performance (continued)

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

The Group's pre-tax profit for the financial period ended 31 March 2019 stood at RM2,453.0 million, a decrease of RM15.6 million or 0.6% as compared to RM2,468.6 million in the previous financial period. The decrease was mainly due to lower net income of RM105.2 million, higher operating expenses of RM11.9 million and lower write back of impairment losses on financial investments of RM1.8 million. This was mitigated by write back of impairment losses on loans, advances and financing of RM101.5 million and higher 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 RM846.0 million for the financial period ended 31 March 2019 as compared to previous corresponding period of RM875.8 million. The decrease in pre-tax profit was mainly contributed by lower income and higher operating expenses, partially offset by lower allowance for impairment losses on loans, advances and financing.

Personal Financial Services's loan base grew from RM89.2 billion as at 31 March 2018 to RM94.6 billion as at 31 March 2019. Deposit base reduced from RM90.9 billion to RM87.1 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM613.5 million for the financial period ended 31 March 2019 as compared to previous corresponding period of RM611.6 million. The increase in pre-tax profit was mainly contributed by higher income, partially offset by higher total operating expenses and higher allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking's loan base increased from RM29.0 billion as at 31 March 2018 to RM31.2 billion as at 31 March 2019. Deposit base increased from RM29.9 billion to RM35.9 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM268.4 million for the financial period ended 31 March 2019 as compared to previous corresponding period of RM382.0 million. The decrease in pre-tax profit was mainly contributed by lower total income, higher total operating expenses and higher impairment losses on financial investments and other financial assets.

Treasury earning assets registered an increase from RM53.8 billion as at 31 March 2018 to RM54.0 billion as at 31 March 2019.

International Banking

The International Banking's segment recorded a pre-tax profit of RM449.9 million for the financial period ended 31 March 2019 as compared to previous corresponding period of RM463.5 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 share of profit from associated company in China.

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B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM778.7 million as compared to RM823.2 million in the preceding quarter, a decrease of RM44.5 million mainly contributed by higher operating expenses of RM14.6 million, allowance for impairment losses on loans, advances and financing of RM62.8 million. However, this was partially offset by higher net income of RM24.6 million, write back of impairment losses on financial investments of RM1.0 million and higher share of profit from associated companies of RM7.3 million.

B3 Current year prospects

The Malaysian economy is expected to remain on a steady growth path in 2019. A steady labour market, 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.

We remain steadfast and focused on executing our digital strategy to strengthen our digital offerings and transform 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 space and reimagining banking to provide best-in-class experience and seamless customer journeys.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	164,115	167,896	481,892	474,440
Transfer to deferred taxation	(19,358)	(2,801)	(56,960)	(17,893)
	<u>144,757</u>	<u>165,095</u>	<u>424,932</u>	<u>456,547</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	130,500	143,023	382,822	406,197
Transfer to deferred taxation	(13,650)	(2,071)	(38,864)	(20,856)
	<u>116,850</u>	<u>140,952</u>	<u>343,958</u>	<u>385,341</u>

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B6 Profit on sale of unquoted investments/properties

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

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2019:

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	30,379,114	102,624	(136,832)
(ii) 1 year to 3 years	469,775	743	-
Swaps			
(i) Less than 1 year	5,190,888	39,639	(26,213)
(ii) 1 year to 3 years	2,667,639	31,756	(44,509)
(iii) More than 3 years	1,297,516	121,455	(10,090)
Options			
(i) Less than 1 year	3,325,652	10,449	(7,594)
Interest rate related contracts			
Futures			
(i) Less than 1 year	65,247,663	1,708	(5,091)
Swaps			
(i) Less than 1 year	15,749,367	28,641	(27,487)
(ii) 1 year to 3 years	23,990,887	88,214	(145,227)
(iii) More than 3 years	18,647,220	95,176	(225,439)
Equity related contracts			
(i) Less than 1 year	449,371	1,888	(1,888)
(ii) 1 year to 3 years	230,568	1,262	(1,263)
(iii) More than 3 years	27,630	1,164	(1,164)
Credit related contracts			
(iii) More than 3 years	47,411	567	(567)
Total	167,720,701	525,286	(633,364)

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B9 Off-balance sheet financial instruments (continued)

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

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	33,008,811	396,031	(299,034)
(ii) 1 year to 3 years	109,040	-	(7,832)
Swaps			
(i) Less than 1 year	7,552,880	151,639	(275,553)
(ii) 1 year to 3 years	1,340,534	45,187	(27,542)
(iii) More than 3 years	1,708,766	82,045	(29,159)
Options			
(i) Less than 1 year	2,333,782	15,973	(12,834)
Interest rate related contracts			
Futures			
(i) Less than 1 year	17,026,043	817	(4,042)
(ii) 1 year to 3 years	6,865,450	404	(871)
Swaps			
(i) Less than 1 year	11,255,753	6,880	(12,921)
(ii) 1 year to 3 years	25,813,386	90,231	(87,007)
(iii) More than 3 years	20,503,773	114,983	(249,524)
Equity related contracts			
(i) Less than 1 year	306,258	3,928	(3,927)
(ii) 1 year to 3 years	476,187	6,737	(6,738)
(iii) More than 3 years	27,315	3,212	(3,212)
Total	128,327,978	918,067	(1,020,196)

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 March 2019:

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	28,887,652	97,459	(133,723)
(ii) 1 year to 3 years	469,775	743	-
Swaps			
(i) Less than 1 year	5,121,640	39,639	(26,213)
(ii) 1 year to 3 years	2,667,639	31,756	(44,509)
(iii) More than 3 years	1,297,516	121,455	(10,090)
Options			
(i) Less than 1 year	3,325,652	10,449	(7,594)
Interest rate related contracts			
Futures			
(i) Less than 1 year	65,247,663	1,708	(5,091)
Swaps			
(i) Less than 1 year	15,749,367	28,616	(27,487)
(ii) 1 year to 3 years	24,755,887	89,329	(146,155)
(iii) More than 3 years	19,377,220	101,723	(222,299)
Equity related contracts			
(i) Less than 1 year	449,370	1,889	(1,888)
(ii) 1 year to 3 years	230,569	1,262	(1,263)
(iii) More than 3 years	27,630	1,164	(1,164)
Credit related contracts			
(iii) More than 3 years	47,411	567	(567)
Total	167,654,991	527,759	(628,043)

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B9 Off-balance sheet financial instruments (continued)

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

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	32,295,354	390,456	(295,681)
(ii) 1 year to 3 years	109,039	-	(7,832)
Swaps			
(i) Less than 1 year	7,263,902	151,639	(274,914)
(ii) 1 year to 3 years	1,340,535	45,187	(27,542)
(iii) More than 3 years	1,708,766	82,045	(29,159)
Options			
(i) Less than 1 year	2,333,782	15,973	(12,834)
Interest rate related contracts			
Futures			
(i) Less than 1 year	17,026,043	817	(4,042)
(ii) 1 year to 3 years	6,865,451	404	(871)
Swaps			
(i) Less than 1 year	11,255,753	6,852	(12,921)
(ii) 1 year to 3 years	26,473,386	90,813	(86,333)
(iii) More than 3 years	21,738,772	134,863	(217,675)
Equity related contracts			
(i) Less than 1 year	306,258	3,928	(3,927)
(ii) 1 year to 3 years	476,187	6,737	(6,738)
(iii) More than 3 years	27,315	3,212	(3,211)
Total	129,220,543	932,926	(983,680)

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B9 Off-balance sheet financial instruments (continued)

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 RM104,279,000 (FYE June 2018: RM57,213,000) and RM128,074,074,000 (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 RM580,609,000 (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.

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B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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B10 Material litigation

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

B11 Dividend

For financial period ended 31 March 2019, a total single tier dividend of 16.0 sen per share has been paid (2017/2018: single tier dividend of 16.0 sen per share).

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.

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	633,898	690,031	2,028,059	2,012,070
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	(121,837)	(122,092)	(121,837)	(122,092)
	2,045,881	2,045,626	2,045,881	2,045,626
Basic earnings per share (sen)	31.0	33.7	99.1	98.4
<u>The Bank</u>				
Net profit attributable to equity holders	415,712	518,247	1,392,147	1,404,821
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	(121,837)	(122,092)	(121,837)	(122,092)
	2,045,881	2,045,626	2,045,881	2,045,626
Basic earnings per share (sen)	20.3	25.3	68.0	68.7

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B12 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	633,898	690,031	2,028,059	2,012,070
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,881	2,045,626	2,045,881	2,045,626
- adjustment for ESS	4,527	2,768	4,527	2,768
	<u>2,050,408</u>	<u>2,048,394</u>	<u>2,050,408</u>	<u>2,048,394</u>
Fully diluted earnings per share (sen)	30.9	33.7	98.9	98.2
<u>The Bank</u>				
Net profit attributable to equity holders	415,712	518,247	1,392,147	1,404,821
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,881	2,045,626	2,045,881	2,045,626
- adjustment for ESS	4,527	2,768	4,527	2,768
	<u>2,050,408</u>	<u>2,048,394</u>	<u>2,050,408</u>	<u>2,048,394</u>
Fully diluted earnings per share (sen)	20.3	25.3	67.9	68.6