

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 30 June 2019

		The Group		The Bank	
	Note	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
<u>ASSETS</u>					
Cash and short-term funds		4,855,456	6,472,405	4,383,074	5,550,388
Deposits and placements with banks and other financial institutions		1,291,416	2,796,480	1,465,940	2,705,522
Financial assets at fair value through profit or loss	A8	12,131,033	-	11,615,738	-
Financial assets held-for-trading	A9	-	5,969,872	-	5,619,035
Financial investments at fair value through other comprehensive income	A10	23,854,510	-	20,745,998	-
Financial investments available-for-sale	A11	-	31,862,936	-	29,018,580
Financial investments at amortised cost	A12	15,153,199	-	10,894,505	-
Financial investments held-to-maturity	A13	-	14,436,945	-	10,906,565
Loans, advances and financing	A14	136,308,217	128,059,105	108,934,970	104,274,903
Other assets	A15	1,196,981	780,069	1,146,282	686,696
Derivative financial instruments		528,256	918,067	522,995	932,926
Amount due from subsidiaries		-	-	13,095	43,563
Statutory deposits with Central Banks		4,588,833	4,312,482	3,564,423	3,453,017
Subsidiary companies		-	-	2,558,337	2,157,132
Investment in associated companies	A16	4,106,375	3,651,091	971,182	946,525
Investment in joint venture	A17	-	179,426	-	76,711
Property and equipment		1,382,572	1,414,975	761,639	782,853
Intangible assets		125,225	152,541	110,895	137,166
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		16,030	53,067	-	47,908
TOTAL ASSETS		207,369,415	202,890,773	169,460,620	169,111,037
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A18	163,070,294	157,414,095	131,396,525	129,583,425
Investment accounts of customers	A19	2,235	-	-	-
Deposits and placements of banks and other financial institutions	A20	7,358,424	7,237,434	7,204,934	7,245,854
Obligations on securities sold under repurchase agreements		2,333,916	3,831,869	2,333,916	3,805,119
Bills and acceptances payable		393,023	544,451	362,578	506,971
Other liabilities	A21	4,881,745	4,719,446	4,290,076	3,932,169
Derivative financial instruments		678,637	1,020,196	675,042	983,680
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")		253,591	202,952	202,954	202,952
Tier 2 subordinated bonds	A22	1,502,340	2,902,908	1,502,340	2,502,278
Multi-currency Additional Tier 1 capital securities	A23	806,185	401,192	806,185	401,192
Innovative Tier 1 capital securities	A24	512,268	512,352	512,268	512,352
Provision for taxation		95,864	211,619	42,152	171,958
Deferred tax liabilities		6,506	-	6,506	-
TOTAL LIABILITIES		181,895,028	178,998,514	149,335,476	149,847,950
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		18,463,141	16,885,463	13,113,898	12,256,291
Less: Treasury shares		(727,817)	(732,267)	(727,817)	(732,267)
TOTAL SHAREHOLDERS' EQUITY		25,474,387	23,892,259	20,125,144	19,263,087
TOTAL LIABILITIES AND EQUITY		207,369,415	202,890,773	169,460,620	169,111,037
<u>COMMITMENTS AND CONTINGENCIES</u>	A36	162,168,169	167,840,081	152,997,021	162,664,431
Net asset per share attributable to ordinary equity holders of the parent (RM) *		12.45	11.68	9.83	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 Year Ended 30 June 2019

	Note	The Group			
		Current Quarter Ended 30/06/2019 RM'000	Corresponding Quarter Ended 30/06/2018 RM'000	Current Year Ended 30/06/2019 RM'000	Corresponding Year Ended 30/06/2018 RM'000
Interest income	A25(a)	1,529,532	1,612,332	6,284,861	6,357,559
Interest income for financial assets at fair value through profit or loss	A25(b)	104,566	-	397,201	-
Interest expense	A26	(965,838)	(921,925)	(3,917,897)	(3,464,439)
Net interest income		668,260	690,407	2,764,165	2,893,120
Net income from Islamic Banking business	A27	174,981	162,741	707,269	646,064
Other operating income	A28	324,583	323,166	1,254,401	1,300,381
Net income		1,167,824	1,176,314	4,725,835	4,839,565
Other operating expenses	A29	(530,059)	(510,826)	(2,091,575)	(2,060,449)
Operating profit before allowances		637,765	665,488	2,634,260	2,779,116
Allowance for impairment losses on loans, advances and financing	A30	(47,004)	(9,803)	(12,323)	(76,651)
Written back of impairment losses on financial investments and other financial assets	A31	582	4,632	972	7,131
Share of profit after tax of equity accounted associated companies		591,343	660,317	2,622,909	2,709,596
		141,686	111,680	563,111	516,111
Share of profit after tax of equity accounted joint venture		-	5,641	-	20,548
Profit before taxation		733,029	777,638	3,186,020	3,246,255
Taxation	B5	(96,581)	(151,630)	(521,513)	(608,177)
Net profit for the financial year		636,448	626,008	2,664,507	2,638,078
Attributable to:					
Owners of the parent		636,448	626,008	2,664,507	2,638,078
Earnings per share - basic (sen)	B12(a)	31.1	30.6	130.2	129.0
Earnings per share - fully diluted (sen)	B12(b)	31.0	30.6	130.0	128.7

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 Year Ended 30 June 2019

	The Group			
	Current Quarter Ended 30/06/2019 RM'000	Corresponding Quarter Ended 30/06/2018 RM'000	Current Year Ended 30/06/2019 RM'000	Corresponding Year Ended 30/06/2018 RM'000
Net profit for the financial year	636,448	626,008	2,664,507	2,638,078
Other comprehensive income/(loss) in respect of:				
(i) Item that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income				
- Net fair value changes	11,796	-	11,796	-
- Net gain on disposal	108	-	108	-
(ii) Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive income/(loss) of associated company	8,198	(1,347)	13,940	(822)
(b) Currency translation differences	(12,460)	(41,954)	(25,307)	(325,017)
(c) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	81,347	-	322,192	-
- Changes in expected credit losses	(134)	-	(862)	-
(d) Net fair value changes in financial investments available-for-sale	-	(179,396)	-	(348,012)
(e) Net fair value changes in cash flow hedge	(1,550)	993	(4,531)	2,398
Income tax relating to components of other comprehensive (income)/loss	(16,476)	135,462	(70,629)	170,034
Other comprehensive income/(loss) for the financial year, net of tax	70,829	(86,242)	246,707	(501,419)
Total comprehensive income for the financial year	<u>707,277</u>	<u>539,766</u>	<u>2,911,214</u>	<u>2,136,659</u>
Attributable to:				
- Owners of the parent	<u>707,277</u>	<u>539,766</u>	<u>2,911,214</u>	<u>2,136,659</u>

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

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

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Year Ended 30 June 2019

	Note	The Bank			
		Current Quarter Ended 30/06/2019 RM'000	Corresponding Quarter Ended 30/06/2018 RM'000	Current Year Ended 30/06/2019 RM'000	Corresponding Year Ended 30/06/2018 RM'000
Interest income	A25(a)	1,493,817	1,591,663	6,165,814	6,269,327
Interest income for financial assets at fair value through profit or loss	A25(b)	104,566	-	397,201	-
Interest expense	A26	(950,749)	(915,160)	(3,877,566)	(3,428,214)
Net interest income		647,634	676,503	2,685,449	2,841,113
Other operating income	A28	490,794	484,556	1,479,658	1,499,585
Net income		1,138,428	1,161,059	4,165,107	4,340,698
Other operating expenses	A29	(461,163)	(440,726)	(1,822,227)	(1,797,248)
Operating profit before allowances (Allowance for)/written back of impairment losses on loans, advances and financing	A30	677,265	720,333	2,342,880	2,543,450
(Allowance for)/ written back of impairment losses on financial investments and other financial assets	A31	(27,183)	2,805	43,711	(32,649)
		(280)	4,632	(684)	7,131
Profit before taxation		649,802	727,770	2,385,907	2,517,932
Taxation	B5	(115,038)	(160,180)	(458,996)	(545,521)
Net profit for the financial year		534,764	567,590	1,926,911	1,972,411
Attributable to:					
Owners of the parent		534,764	567,590	1,926,911	1,972,411
Earnings per share - basic (sen)	B12(a)	26.1	27.7	94.2	96.4
Earnings per share - fully diluted (sen)	B12(b)	26.1	27.7	94.0	96.3

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

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Year Ended 30 June 2019

	The Bank			
	Current Quarter Ended 30/06/2019 RM'000	Corresponding Quarter Ended 30/06/2018 RM'000	Current Year Ended 30/06/2019 RM'000	Corresponding Year Ended 30/06/2018 RM'000
Net profit for the financial year	534,764	567,590	1,926,911	1,972,411
Other comprehensive income/(loss) in respect of:				
(i) Item that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income				
- Net fair value changes	11,796	-	11,796	-
- Net gain on disposal	108	-	108	-
(ii) Items that may be reclassified subsequently to profit or loss:				
(a) Currency translation differences	17,167	14,178	33,745	(57,408)
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	84,167	-	275,892	-
- Changes in expected credit losses	(104)	-	(931)	-
(c) Net fair value changes in financial investments available-for-sale	-	(164,553)	-	(333,392)
(d) Net fair value changes in cash flow hedge	(1,550)	993	(4,531)	2,398
Income tax relating to components of other comprehensive (income)/loss	(13,668)	131,975	(59,008)	166,510
Other comprehensive income/(loss) for the financial year, net of tax	97,916	(17,407)	257,071	(221,892)
Total comprehensive income for the financial year	632,680	550,183	2,183,982	1,750,519

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

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Year Ended 30 June 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)	(75,481)	-	(368,349)
As restated	<u>7,739,063</u>	<u>659,403</u>	<u>748,659</u>	<u>15,109,052</u>	<u>(732,267)</u>	<u>23,523,910</u>
Comprehensive income						
Net profit for the financial year	-	-	-	2,664,507	-	2,664,507
- Share of other comprehensive income of associated company	-	13,940	-	-	-	13,940
- Financial assets measured at fair value through other comprehensive income						
- Equity instruments						
- Net fair value changes	-	11,796	-	-	-	11,796
- Net gain on disposal	-	(51)	-	159	-	108
- Debt instruments						
- Net fair value changes	-	250,590	-	-	-	250,590
- Changes in expected credit losses	-	(862)	-	-	-	(862)
- Net fair value changes in cash flow hedge	-	(3,558)	-	-	-	(3,558)
- Currency translation differences	-	(25,307)	-	-	-	(25,307)
Total comprehensive income	<u>-</u>	<u>246,548</u>	<u>-</u>	<u>2,664,666</u>	<u>-</u>	<u>2,911,214</u>
Transactions with owners						
Transfer to regulatory reserve	-	-	109,656	(109,656)	-	-
Dividends paid	-	-	-	(982,056)	-	(982,056)
ESS exercised	-	(5,253)	-	4,406	4,450	3,603
Option charge arising from ESS granted	-	17,716	-	-	-	17,716
Total transactions with owners	<u>-</u>	<u>12,463</u>	<u>109,656</u>	<u>(1,087,306)</u>	<u>4,450</u>	<u>(960,737)</u>
At 30 June 2019	<u>7,739,063</u>	<u>918,414</u>	<u>858,315</u>	<u>16,686,412</u>	<u>(727,817)</u>	<u>25,474,387</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 year	-	-	-	2,638,078	-	2,638,078
- Share of other comprehensive loss of associated company	-	(822)	-	-	-	(822)
- Net fair value changes in financial investments available-for-sale	-	(177,480)	-	-	-	(177,480)
- Net fair value changes in cash flow hedge	-	1,900	-	-	-	1,900
- Currency translation differences	-	(325,017)	-	-	-	(325,017)
Total comprehensive (loss)/income	<u>-</u>	<u>(501,419)</u>	<u>-</u>	<u>2,638,078</u>	<u>-</u>	<u>2,136,659</u>
Transactions with owners						
Transfer from regulatory reserve	-	-	74,456	(74,456)	-	-
Dividends paid	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	(3,036)	-	1,342	1,694	-
Option charge arising from ESS granted	-	11,200	-	-	-	11,200
Total transactions with owners	<u>-</u>	<u>8,164</u>	<u>74,456</u>	<u>(1,014,127)</u>	<u>1,694</u>	<u>(929,813)</u>
At 30 June 2018	<u>7,739,063</u>	<u>947,991</u>	<u>752,939</u>	<u>15,184,533</u>	<u>(732,267)</u>	<u>23,892,259</u>

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM847,070,000 (30 June 2018: RM741,694,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 June 2018: RM11,245,000)

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

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

Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Year Ended 30 June 2019

	Attributable to owners of the parent					
	Share Capital RM'000	Other Reserves RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
The Bank						
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)	(37,501)	-	(361,188)
As restated	<u>7,739,063</u>	<u>114,989</u>	<u>605,090</u>	<u>11,175,024</u>	<u>(732,267)</u>	<u>18,901,899</u>
Comprehensive income						
Net profit for the financial year	-	-	-	1,926,911	-	1,926,911
- Financial assets measured at fair value through other comprehensive income						
- Equity instruments						
- Net fair value changes	-	11,796	-	-	-	11,796
- Net gain on disposal	-	(51)	-	159	-	108
- Debt instruments						
- Net fair value changes	-	215,911	-	-	-	215,911
- Changes in expected credit losses	-	(931)	-	-	-	(931)
- Net fair value changes in cash flow hedge	-	(3,558)	-	-	-	(3,558)
- Currency translation differences	-	33,745	-	-	-	33,745
Total comprehensive income	<u>-</u>	<u>256,912</u>	<u>-</u>	<u>1,927,070</u>	<u>-</u>	<u>2,183,982</u>
Transactions with owners						
Transfer to regulatory reserve	-	-	90,107	(90,107)	-	-
Dividends paid	-	-	-	(982,056)	-	(982,056)
ESS exercised	-	(5,253)	-	4,406	4,450	3,603
Option charge arising from ESS granted	-	17,716	-	-	-	17,716
Total transactions with owners	<u>-</u>	<u>12,463</u>	<u>90,107</u>	<u>(1,067,757)</u>	<u>4,450</u>	<u>(960,737)</u>
At 30 June 2019	7,739,063	384,364	695,197	12,034,337	(727,817)	20,125,144
At 1 July 2017	7,739,063	620,396	571,678	10,245,205	(733,961)	18,442,381
Comprehensive income						
Net profit for the financial year	-	-	-	1,972,411	-	1,972,411
- Net fair value changes in financial investments available-for-sale	-	(166,384)	-	-	-	(166,384)
- Net fair value changes in cash flow hedge	-	1,900	-	-	-	1,900
- Currency translation differences	-	(57,408)	-	-	-	(57,408)
Total comprehensive (loss)/income	<u>-</u>	<u>(221,892)</u>	<u>-</u>	<u>1,972,411</u>	<u>-</u>	<u>1,750,519</u>
Transactions with owners						
Transfer to regulatory reserve	-	-	65,420	(65,420)	-	-
Dividends paid	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	(3,036)	-	1,342	1,694	-
Option charge arising from ESS granted	-	11,200	-	-	-	11,200
Total transactions with owners	<u>-</u>	<u>8,164</u>	<u>65,420</u>	<u>(1,005,091)</u>	<u>1,694</u>	<u>(929,813)</u>
At 30 June 2018	7,739,063	406,668	637,098	11,212,525	(732,267)	19,263,087

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

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Year Ended 30 June 2019

	The Group		The Bank	
	Financial Year Ended 30/06/2019 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Year Ended 30/06/2018 RM'000
Profit before taxation	3,186,020	3,246,255	2,385,907	2,517,932
Adjustments for non-cash items	<u>(1,651,157)</u>	<u>(1,570,875)</u>	<u>(1,447,952)</u>	<u>(1,363,547)</u>
Operating profit before working capital changes	1,534,863	1,675,380	937,955	1,154,385
Changes in working capital:				
Net changes in operating assets	(6,264,235)	(8,357,841)	(2,454,453)	(5,677,132)
Net changes in operating liabilities	4,024,036	5,453,395	403,317	2,751,154
Income taxes and zakat paid	<u>(615,398)</u>	<u>(660,026)</u>	<u>(496,777)</u>	<u>(571,611)</u>
Net cash used in operating activities	<u>(1,320,734)</u>	<u>(1,889,092)</u>	<u>(1,609,958)</u>	<u>(2,343,204)</u>
Cash flows from investing activities				
Interest received from investment in Multi-currency Additional Tier 1 subordinated sukuk wakalah	-	-	20,520	10,176
Investment in Multi-currency Additional Tier 1 subordinated sukuk wakalah	-	-	-	(400,000)
Investment in Tier 2 subordinated sukuk murabahah	-	-	(400,000)	-
Investment in subordinated facilities	-	-	(417)	(16,220)
Net proceeds of financial investments at fair value through other comprehensive income	2,660,336	-	2,796,969	-
Net purchases of financial investments available-for-sale	-	(3,617,252)	-	(3,530,034)
Net proceeds of financial investments at amortised cost	937,924	-	1,537,556	-
Net purchases of financial investments held-to-maturity	-	(994,134)	-	(120,309)
Purchase of property and equipment	(123,156)	(124,689)	(115,473)	(119,942)
Net proceeds from sale of property and equipment	2,209	5,729	1,890	5,569
Net proceeds on sale of intangible assets	2	1	2	1
Purchase of intangible assets	(10,918)	(11,337)	(9,750)	(9,681)
Investment in subsidiary company	-	-	-	(76,703)
Proceeds from divestment of joint venture	60,606	120,603	60,606	120,603
Dividends received from:				
- Subsidiary company	-	-	20,020	43,400
- Joint venture	-	3,563	-	3,563
- Associated companies	127,413	101,111	127,413	101,111
- Financial assets at fair value through profit or loss	279,533	-	279,533	-
- Financial investments at fair value through other comprehensive income	203	-	203	-
- Financial investments available-for-sale	-	281,087	-	281,087
Net cash generated from/(used in) investing activities	<u>3,934,152</u>	<u>(4,235,318)</u>	<u>4,319,072</u>	<u>(3,707,379)</u>
Cash flows from financing activities				
Dividends paid	(982,056)	(941,013)	(982,056)	(941,013)
Repayment of Tier 2 subordinated loan	(2,400,000)	-	(2,000,000)	-
Cash received from ESOS exercised	3,603	-	3,603	-
Proceeds from debt issuance:				
- Recourse obligation on financing sold to Cagamas	50,000	-	-	-
- Tier 2 subordinated bonds	1,000,000	500,000	1,000,000	500,000
- Multi-currency Additional Tier 1 capital securities	400,000	400,000	400,000	400,000
Interest paid:				
- Recourse obligation on loans/financing sold to Cagamas	(7,600)	(7,576)	(7,600)	(7,576)
- Tier 2 subordinated bonds	(116,937)	(91,947)	(116,223)	(92,000)
- Multi-currency Additional Tier 1 capital securities	(20,485)	(10,984)	(20,651)	(10,252)
- Innovative Tier 1 capital securities	(40,940)	(38,431)	(40,940)	(38,431)
Net cash used in financing activities	<u>(2,114,415)</u>	<u>(189,951)</u>	<u>(1,763,867)</u>	<u>(189,272)</u>

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Year Ended 30 June 2019

	The Group		The Bank	
	Financial Year Ended 30/06/2019 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Year Ended 30/06/2018 RM'000
Net increase/(decrease) in cash and cash equivalents	499,003	(6,314,361)	945,247	(6,239,855)
Currency translation differences	61,425	(111,203)	30,828	(55,801)
Cash and cash equivalents at the beginning of financial year	3,963,309	10,388,873	3,282,694	9,578,350
Cash and cash equivalents at the end of financial year	<u>4,523,737</u>	<u>3,963,309</u>	<u>4,258,769</u>	<u>3,282,694</u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	4,855,456	6,472,405	4,383,074	5,550,388
Deposits and placements with banks and other financial institutions	1,291,416	2,796,480	1,465,940	2,705,522
	<u>6,146,872</u>	<u>9,268,885</u>	<u>5,849,014</u>	<u>8,255,910</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	(1,623,135)	(5,305,576)	(1,590,245)	(4,973,216)
	<u>4,523,737</u>	<u>3,963,309</u>	<u>4,258,769</u>	<u>3,282,694</u>

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

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

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL YEAR ENDED 30 JUNE 2019**

A1 Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 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 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 financial 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 most recent 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’
- * Amendments to MFRS 2 ‘Share-based Payment – Classification and Measurement of Share-based Payment Transactions’
- * IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’
- * Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 ‘Investments in Associates and Joint Ventures’

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, amendments to published standards and interpretation are not expected to have significant 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.

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

A1 Basis of preparation (continued)

(ii) Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks

The Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks in relation to Basel II – Risk-Weighted Assets and Capital Components were updated and reissued by BNM on 2 February 2018.

The updates focused mainly on the following changes:

- * Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9 ‘Financial Instruments’;
- * Definition of General Provision and its recognition in Tier II capital;
- * Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
- * Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9.

(iii) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, BNM had issued the revised policy document on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. The revised policy document requires the banking institutions to 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 document are presented in Note A40.

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

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 year

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

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

A6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy-back and share cancellations, or resale of shares held as treasury shares during the financial year ended 30 June 2019:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 30 June 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 year ended 30 June 2019, the trust did not purchase any new shares. As at 30 June 2019, the total number of Treasury Shares for ESS was 40,182,412 pursuant to the Bank's ESS. The Treasury Shares have an average carrying value of RM7.37 per share.

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

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

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

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

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

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

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

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 year ended 30 June 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 261,643 share options were exercised pursuant to the Bank's ESS.

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

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

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.

d) Issuance of Tier 2 Subordinated Notes

On 14 June 2019, the Bank issued a third tranche of RM1.0 billion nominal value of 10-year non-callable 5 years Tier 2 Subordinated Notes (“Sub Notes”) callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this third tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

e) Repayment of debt and equity securities

On 24 June 2019, the Bank had fully redeemed the RM1.5 billion nominal value of Sub Notes bearing coupon rate of 4.5% per annum issued by the Bank on 22 June 2012.

On 24 June 2019, the Bank had fully redeemed the RM500.0 million nominal value of Sub Notes bearing coupon rate of 4.8% per annum issued by the Bank on 23 June 2014.

On 17 June 2019, Hong Leong Islamic Bank Berhad had fully redeemed the RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah.

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.

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

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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	21,900	-	21,900	-
Malaysian Government securities	2,245,849	-	2,245,849	-
Malaysian Government investment certificates	1,824,682	-	1,309,387	-
Cagamas bonds	76,386	-	76,386	-
Khazanah bonds	136,726	-	136,726	-
Other Government securities	92,163	-	92,163	-
	<u>4,397,706</u>	<u>-</u>	<u>3,882,411</u>	<u>-</u>
Quoted securities:				
Wholesale fund/unit trust	7,066,213	-	7,066,213	-
Foreign currency bonds in Malaysia	60,375	-	60,375	-
Foreign currency bonds outside Malaysia	108,167	-	108,167	-
Unquoted securities:				
Corporate bonds and sukuk	162,134	-	162,134	-
Shares in Malaysia	305,572	-	305,572	-
Redeemable preference shares	30,866	-	30,866	-
Total financial assets at FVTPL	<u>12,131,033</u>	<u>-</u>	<u>11,615,738</u>	<u>-</u>

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

A9 Financial assets held-for-trading

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

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

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At fair value				
(a) Debt instruments	23,810,179	-	20,701,667	-
(b) Equity instruments	44,331	-	44,331	-
Total financial investments at FVOCI	<u>23,854,510</u>	<u>-</u>	<u>20,745,998</u>	<u>-</u>
(a) Debt instruments				
Money market instruments:				
Malaysian Government securities	1,420,656	-	1,420,656	-
Malaysian Government investment certificates	6,303,409	-	5,151,270	-
Negotiable instruments of deposit	1,197,900	-	899,135	-
Other Government securities	694,508	-	542,176	-
Cagamas bonds	1,311,562	-	1,045,677	-
Khazanah bonds	272,685	-	263,646	-
	<u>11,200,720</u>	<u>-</u>	<u>9,322,560</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	1,776,207	-	1,743,093	-
Foreign currency bonds outside Malaysia	1,638,380	-	1,638,380	-
Unquoted securities:				
Malaysian Government sukuk	350,898	-	183,458	-
Corporate bonds and sukuk	7,318,697	-	6,288,899	-
Foreign currency bonds in Malaysia	973,343	-	973,343	-
Foreign currency bonds outside Malaysia	551,934	-	551,934	-
	<u>23,810,179</u>	<u>-</u>	<u>20,701,667</u>	<u>-</u>

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

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

Movements in expected credit losses of debt instruments at FVOCI are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u> <u>RM'000</u>
	<u>12 Months</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
	<u>ECL</u>	<u>not credit</u>	<u>credit</u>	
The Group	RM'000	RM'000	RM'000	RM'000
At 1 July	-	-	-	-
Effect of adopting MFRS 9	2,428	-	4,453	6,881
At 1 July, as restated	2,428	-	4,453	6,881
New financial assets originated or purchased	502	-	-	502
Financial assets derecognised	(1,007)	-	(166)	(1,173)
Changes due to change in credit risk	(401)	-	-	(401)
Exchange differences	44	-	-	44
At 30 June	<u>1,566</u>	<u>-</u>	<u>4,287</u>	<u>5,853</u>

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u> <u>RM'000</u>
	<u>12 Months</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
	<u>ECL</u>	<u>not credit</u>	<u>credit</u>	
The Bank	RM'000	RM'000	RM'000	RM'000
At 1 July	-	-	-	-
Effect of adopting MFRS 9	2,385	-	4,453	6,838
At 1 July, as restated	2,385	-	4,453	6,838
New financial assets originated or purchased	413	-	-	413
Financial assets derecognised	(994)	-	(166)	(1,160)
Changes due to change in credit risk	(392)	-	-	(392)
Exchange differences	42	-	-	42
At 30 June	<u>1,454</u>	<u>-</u>	<u>4,287</u>	<u>5,741</u>

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(b) Equity instruments				
Unquoted securities:				
Shares in Malaysia	<u>44,331</u>	<u>-</u>	<u>44,331</u>	<u>-</u>

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

A11 Financial investments available-for-sale

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

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

A12 Financial investments at amortised cost

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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	53,820	-	53,820	-
Malaysian Government securities	102,105	-	102,105	-
Malaysian Government investment certificates	8,721,860	-	5,887,037	-
Khazanah bonds	304,266	-	267,837	-
Other Government securities	326,179	-	307,305	-
	<u>9,508,230</u>	<u>-</u>	<u>6,618,104</u>	<u>-</u>
Quoted securities:				
Foreign currency bonds in Malaysia	845,592	-	845,592	-
Foreign currency bonds outside Malaysia	151,587	-	151,587	-
Unquoted securities:				
Malaysian Government sukuk	2,657,094	-	1,694,196	-
Corporate bonds and sukuk	1,991,703	-	1,586,027	-
Less: Expected credit losses	(1,007)	-	(1,001)	-
Total financial investments at amortised cost	<u>15,153,199</u>	<u>-</u>	<u>10,894,505</u>	<u>-</u>

Movements in expected credit losses of financial investments at amortised cost are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u>
	<u>12 Months ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	
The Group	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2019				
At 1 July	-	-	-	-
Effect of adopting MFRS 9	3	-	827	830
At 1 July, as restated	3	-	827	830
New financial assets originated or purchased	178	-	-	178
Exchange differences	(1)	-	-	(1)
At 30 June	<u>180</u>	<u>-</u>	<u>827</u>	<u>1,007</u>
The Bank	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u>
2019	<u>12 Months ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	-	-	-	-
Effect of adopting MFRS 9	-	-	827	827
At 1 July, as restated	-	-	827	827
New financial assets originated or purchased	174	-	-	174
At 30 June	<u>174</u>	<u>-</u>	<u>827</u>	<u>1,001</u>

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

A13 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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>14,436,945</u>	<u>-</u>	<u>10,906,565</u>
Total financial investments held-to-maturity	<u>-</u>	<u>14,436,945</u>	<u>-</u>	<u>10,906,565</u>

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

A14 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Overdrafts	3,863,555	3,794,584	3,119,277	3,251,673
Term loans/financing:				
- Housing and shop loans/financing	76,495,886	70,332,643	61,165,045	56,771,907
- Syndicated/term loans or financing	11,740,501	9,953,665	8,717,446	7,902,161
- Hire purchase receivables	17,634,182	17,229,742	14,015,409	13,757,021
- Other term loans/financing	7,984,748	7,472,341	5,154,293	5,272,900
Credit/charge card receivables	3,597,974	3,899,183	3,597,974	3,899,183
Bills receivable	1,061,015	996,560	926,496	880,816
Trust receipts	421,884	328,628	306,390	283,561
Claims on customers under acceptance credits	8,029,521	7,839,208	7,276,246	7,301,016
Revolving credit	6,227,550	6,627,619	5,161,648	5,169,171
Staff loans/financing	138,753	146,027	132,620	141,341
Other loans/financing	370,814	448,360	370,455	448,356
Gross loans, advances and financing	<u>137,566,383</u>	<u>129,068,560</u>	<u>109,943,299</u>	<u>105,079,106</u>
Fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges	3,473	(2,553)	3,473	(2,540)
Allowance for impairment losses:				
- Expected credit losses	(1,261,639)	-	(1,011,802)	-
- Collective assessment allowance	-	(804,726)	-	(621,694)
- Individual assessment allowance	-	(202,176)	-	(179,969)
Total net loans, advances and financing	<u><u>136,308,217</u></u>	<u><u>128,059,105</u></u>	<u><u>108,934,970</u></u>	<u><u>104,274,903</u></u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM236,439,000 (2018: RM177,874,000) and RM188,181,000 (2018: RM177,874,000) respectively.

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

A14 Loans, advances and financing (continued)

A14a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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	953,920	597,185	853,670	248,848
Domestic business enterprises:				
- small and medium enterprises	21,504,122	20,480,084	17,282,182	17,433,561
- others	19,232,651	16,377,193	15,751,104	13,226,492
Government and statutory bodies	2,037	19,374	41	7,803
Individuals	93,385,273	84,422,878	73,812,923	67,261,406
Other domestic entities	418,282	269,937	374,831	207,752
Foreign entities	2,070,098	6,901,909	1,868,548	6,693,244
Gross loans, advances and financing	<u>137,566,383</u>	<u>129,068,560</u>	<u>109,943,299</u>	<u>105,079,106</u>

A14b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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	1,641,101	2,583,078	1,081,501	1,769,012
- Hire purchase receivables	17,413,826	16,916,260	13,797,959	13,444,246
- Other fixed rate loans/financing	6,374,770	6,676,788	4,856,527	5,280,238
Variable rate:				
- Base rate/base lending rate plus	94,502,743	86,079,824	76,209,468	71,114,897
- Cost plus	17,017,202	16,407,547	13,997,844	13,470,713
- Other variables rates	616,741	405,063	-	-
Gross loans, advances and financing	<u>137,566,383</u>	<u>129,068,560</u>	<u>109,943,299</u>	<u>105,079,106</u>

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

A14 Loans, advances and financing (continued)

A14c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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	808,590	382,505	553,613	381,331
Purchase of transport vehicles	17,489,088	16,893,592	13,829,965	13,370,936
Purchase of landed properties				
- residential	67,437,747	61,370,372	53,224,466	48,915,309
- non-residential	16,369,237	15,553,253	14,144,111	13,925,835
Purchase of fixed assets (excluding landed properties)	988,287	546,924	700,315	482,511
Personal use	3,389,881	3,248,454	2,065,876	2,170,175
Credit card	3,597,974	3,899,183	3,597,974	3,899,183
Construction	2,006,223	1,552,918	1,277,523	1,024,050
Mergers and acquisition	312,445	362,600	125,522	179,269
Working capital	23,791,965	23,850,860	19,545,202	19,761,563
Other purpose	1,374,946	1,407,899	878,732	968,944
Gross loans, advances and financing	<u>137,566,383</u>	<u>129,068,560</u>	<u>109,943,299</u>	<u>105,079,106</u>

A14d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	130,455,793	122,542,932	104,719,012	99,981,335
Singapore	5,224,287	5,097,771	5,224,287	5,097,771
Vietnam	616,741	405,063	-	-
Cambodia	1,269,562	1,022,794	-	-
Gross loans, advances and financing	<u>137,566,383</u>	<u>129,068,560</u>	<u>109,943,299</u>	<u>105,079,106</u>

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

A14 Loans, advances and financing (continued)

A14e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Within one year	26,236,955	26,653,901	23,183,492	23,793,306
One year to less than three years	5,914,184	6,007,978	4,699,471	4,929,344
Three years to less than five years	9,612,277	9,069,429	7,243,460	6,997,601
Five years and more	95,802,967	87,337,252	74,816,876	69,358,855
Gross loans, advances and financing	<u>137,566,383</u>	<u>129,068,560</u>	<u>109,943,299</u>	<u>105,079,106</u>

A14f Movements in impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</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	1,620,178	1,663,447	1,238,702	1,278,452
Reclassified as non-impaired during the financial year	(868,464)	(889,043)	(632,821)	(652,719)
Amount written back in respect of recoveries	(489,105)	(387,313)	(366,606)	(329,643)
Amount written off	(318,398)	(460,834)	(259,162)	(404,026)
Exchange difference	1,398	(4,195)	1,518	(3,813)
At 30 June	<u>1,071,111</u>	<u>1,125,502</u>	<u>887,864</u>	<u>906,233</u>
Gross impaired loans and financing as a % of gross loans, advances and financing	<u>0.8%</u>	<u>0.9%</u>	<u>0.8%</u>	<u>0.9%</u>

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

A14 Loans, advances and financing (continued)

A14g Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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	51	1,256	5	1,256
Purchase of transport vehicles	122,105	134,022	90,856	101,223
Purchase of landed properties				
- residential	376,182	352,900	278,841	253,976
- non-residential	169,127	170,961	161,694	165,421
Purchase of fixed assets (excluding landed properties)	5,325	3,465	5,325	3,465
Personal use	44,470	46,682	23,321	29,519
Credit card	32,505	39,562	32,505	39,562
Construction	17,350	3,530	15,583	2,963
Working capital	298,966	369,990	274,704	306,284
Other purpose	5,030	3,134	5,030	2,564
Gross impaired loans, advances and financing	<u>1,071,111</u>	<u>1,125,502</u>	<u>887,864</u>	<u>906,233</u>

A14h Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</u>	<u>30/06/2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,063,910	1,112,810	886,352	904,839
Singapore	1,512	1,394	1,512	1,394
Vietnam	1,621	3,937	-	-
Cambodia	4,068	7,361	-	-
Gross impaired loans, advances and financing	<u>1,071,111</u>	<u>1,125,502</u>	<u>887,864</u>	<u>906,233</u>

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

A14 Loans, advances and financing (continued)

A14i Movements in expected credit losses for loans, advances and financing are as follows:

The Group	Stage 1	Stage 2	Stage 3	Total ECL
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2019	RM'000	RM'000	RM'000	RM'000
At 1 July				1,006,902
Effect of adopting MFRS 9				358,235
At 1 July, as restated	418,235	487,757	459,145	1,365,137
Changes in ECL due to transfer within stages	(101,286)	(144,220)	245,506	-
Transfer to Stage 1	23,070	(22,825)	(245)	-
Transfer to Stage 2	(124,364)	219,679	(95,315)	-
Transfer to Stage 3	8	(341,074)	341,066	-
New financial assets originated	53,847	4,018	110	57,975
Financial assets derecognised	(34,796)	(42,683)	(29,024)	(106,503)
Changes due to change in credit risk	33,258	193,326	38,241	264,825
Modifications to contractual cash flows				
of financial asset	-	-	4,101	4,101
Amount written off	-	-	(282,501)	(282,501)
Exchange difference	457	127	1,578	2,162
Other movements	-	-	(43,557)	(43,557)
At 30 June	<u>369,715</u>	<u>498,325</u>	<u>393,599</u>	<u>1,261,639</u>

The Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
2019	RM'000	RM'000	RM'000	RM'000
At 1 July				801,663
Effect of adopting MFRS 9				329,521
At 1 July, as restated	367,527	388,100	375,557	1,131,184
Changes in ECL due to transfer within stages	(83,736)	(119,918)	203,654	-
Transfer to Stage 1	20,745	(20,533)	(212)	-
Transfer to Stage 2	(104,503)	173,541	(69,038)	-
Transfer to Stage 3	22	(272,926)	272,904	-
New financial assets originated	23,715	3,426	72	27,213
Financial assets derecognised	(13,118)	(29,233)	(16,595)	(58,946)
Changes due to change in credit risk	16,973	144,161	11,532	172,666
Modifications to contractual cash flows				
of financial asset	-	-	3,099	3,099
Amount written off	-	-	(227,057)	(227,057)
Exchange difference	302	120	1,588	2,010
Other movements	-	-	(38,367)	(38,367)
At 30 June	<u>311,663</u>	<u>386,656</u>	<u>313,483</u>	<u>1,011,802</u>

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

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</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 year	-	299,887	-	224,340
Amount written off	-	(310,061)	-	(257,615)
Unwinding income	-	(14,475)	-	(11,488)
Exchange difference	-	(692)	-	(330)
At 30 June	-	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 year	-	63,397	-	50,952
Amount written back in respect of recoveries	-	(55,505)	-	(52,077)
Amount written off	-	(119,266)	-	(118,014)
Unwinding income	-	(7,959)	-	(7,951)
Exchange difference	-	(3,917)	-	(3,864)
At 30 June	-	202,176	-	179,969

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

A15 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Foreclosed properties	21,839	46	10,849	46
Sundry debtors and other prepayments	371,710	204,716	351,193	162,716
Treasury related receivables	242,617	65,547	242,617	65,547
Cash collateral pledged for derivative transactions	301,552	310,933	301,552	310,933
Other receivables	259,263	198,827	240,071	147,454
	<u>1,196,981</u>	<u>780,069</u>	<u>1,146,282</u>	<u>686,696</u>

A16 Investment in associated companies

	<u>The Group</u>		<u>The Bank</u>	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 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	2,695,242	2,225,589	-	-
Cumulative share of changes in other comprehensive income	13,690	(250)	-	-
Exchange fluctuation reserve	434,455	487,421	-	-
	<u>4,106,375</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 RM68,782,000 and the Bank of RM24,657,000 respectively.

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

A17 Investment in joint venture

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

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

In March 2017, the Board of Directors has approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018. The net gain on divestment of joint venture of RM90,106,000 is recognised in the Group's statements of income.

Post completion of the divestment exercise, the retained interest of 12% under the Group of RM68,782,000 and the Bank of RM24,657,000 respectively are derecognised from its investment in joint venture and classified as investment in associated companies.

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

A18 Deposits from customers

A18a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Amortised cost				
Fixed deposits	91,064,010	88,222,375	70,785,542	71,745,421
Negotiable instruments of deposits	10,123,656	6,892,073	8,598,899	5,394,717
Short-term placements	17,161,123	16,950,886	14,131,227	14,687,624
	<u>118,348,789</u>	<u>112,065,334</u>	<u>93,515,668</u>	<u>91,827,762</u>
Demand deposits	24,018,791	23,638,473	20,722,461	20,232,702
Saving deposits	17,706,562	17,563,850	14,663,658	14,657,220
Others	891,350	979,288	736,729	847,170
	<u>160,965,492</u>	<u>154,246,945</u>	<u>129,638,516</u>	<u>127,564,854</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	2,159,671	3,334,428	1,812,544	2,132,691
Fair value changes arising from designation at fair value through profit or loss *	(54,869)	(167,278)	(54,535)	(114,120)
	<u>2,104,802</u>	<u>3,167,150</u>	<u>1,758,009</u>	<u>2,018,571</u>
	<u>163,070,294</u>	<u>157,414,095</u>	<u>131,396,525</u>	<u>129,583,425</u>

* The Group and the Bank have issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. This designation is permitted under MFRS 9 as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

A18b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Government and statutory bodies	7,415,514	3,977,104	4,246,520	2,016,899
Business enterprises	67,038,577	62,744,665	51,715,857	48,300,831
Individuals	85,518,130	88,159,470	73,129,569	77,108,346
Others	3,098,073	2,532,856	2,304,579	2,157,349
	<u>163,070,294</u>	<u>157,414,095</u>	<u>131,396,525</u>	<u>129,583,425</u>

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

A18 Deposits from customers (continued)

A18c The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Due within six months	95,101,452	83,581,278	73,557,213	67,728,986
More than six months to one year	21,763,420	26,159,087	18,818,766	21,998,104
More than one year to five years	1,440,321	2,324,969	1,096,093	2,100,672
More than five years	43,596	-	43,596	-
	<u>118,348,789</u>	<u>112,065,334</u>	<u>93,515,668</u>	<u>91,827,762</u>

A19 Investment accounts of customers

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Unrestricted investment accounts	<u>2,235</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>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Licensed banks	7,059,886	7,084,745	7,059,770	7,095,827
Licensed investment banks	95,023	150,027	95,023	150,027
Licensed Islamic banks	140,000	-	-	-
Central banks	12,222	-	-	-
Other financial institutions	51,293	2,662	50,141	-
	<u>7,358,424</u>	<u>7,237,434</u>	<u>7,204,934</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>7,358,424</u>	<u>7,237,434</u>	<u>7,204,934</u>	<u>7,245,854</u>

A21 Other liabilities

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
Zakat		350	350	-	-
Post employment benefits obligation					
- defined contribution plan		300	297	300	297
Loan advance payment		3,351,885	3,229,766	2,691,960	2,586,339
Interbranch clearing with subsidiary company		-	-	571,263	-
Amount due to subsidiary companies		-	-	29	-
Treasury and cheque clearing		452,626	50,106	66,405	50,106
Treasury related payables		149,347	231,223	149,347	231,223
Sundry creditors and accruals		175,507	531,979	140,623	494,991
Provision for bonus and staff related expenses		164,504	176,617	155,941	168,984
Expected credit losses on financial guarantee contracts	(a)	7,928	-	7,117	-
Others		579,298	499,108	507,091	400,229
		<u>4,881,745</u>	<u>4,719,446</u>	<u>4,290,076</u>	<u>3,932,169</u>

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

A21 Other liabilities (continued)

(a) Movements in expected credit losses of financial guarantee contracts are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
The Group	RM'000	RM'000	RM'000	RM'000
At 1 July				-
Effect of adopting MFRS 9				6,920
At 1 July, as restated	2,065	4,855	-	6,920
Changes in ECL due to transfer within stages	(13)	(80)	93	-
Transfer to Stage 1	23	(23)	-	-
Transfer to Stage 2	(36)	36	-	-
Transfer to Stage 3	-	(93)	93	-
New financial assets originated	142	2	-	144
Financial assets derecognised	(28)	(12)	-	(40)
Changes due to change in credit risk	220	642	(68)	794
Exchange difference	(6)	120	-	114
Other movements	-	-	(4)	(4)
At 30 June	2,380	5,527	21	7,928
	Stage 1	Stage 2	Stage 3	
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	Total ECL
		RM'000	RM'000	RM'000
The Bank				
2019				
At 1 July				-
Effect of adopting MFRS 9				6,749
At 1 July, as restated	1,909	4,840	-	6,749
Changes in ECL due to transfer within stages	(14)	(79)	93	-
Transfer to Stage 1	22	(22)	-	-
Transfer to Stage 2	(36)	36	-	-
Transfer to Stage 3	-	(93)	93	-
New financial assets originated	20	-	-	20
Financial assets derecognised	(26)	(12)	-	(38)
Changes due to change in credit risk	(308)	652	(67)	277
Exchange difference	(7)	120	-	113
Other movements	-	-	(4)	(4)
At 30 June	1,574	5,521	22	7,117

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

A22 Tier 2 subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</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 notes, at par	(a)	-	1,500,000	-	1,500,000
Add: Interest payable		-	1,664	-	1,664
		-	1,501,664	-	1,501,664
Less: Unamortised discounts		-	(91)	-	(91)
		-	1,501,573	-	1,501,573
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	-	400,000	-	-
Add: Profit payable		-	684	-	-
		-	400,684	-	-
Less: Unamortised discounts		-	(54)	-	-
		-	400,630	-	-
RM1.5 billion Tier 2 subordinated notes, at par	(c)	1,500,000	1,000,000	1,500,000	1,000,000
Add: Interest payable		2,370	794	2,370	794
		1,502,370	1,000,794	1,502,370	1,000,794
Less: Unamortised discounts		(30)	(89)	(30)	(89)
		1,502,340	1,000,705	1,502,340	1,000,705
		1,502,340	2,902,908	1,502,340	2,502,278

(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.

On 24 June 2019, HLB had fully redeemed the RM1.5 billion nominal value of this Sub Notes.

(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.

On 17 June 2019, HLISB had fully redeemed the RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah.

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

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.

On 24 June 2019, HLB had fully redeemed the RM500.0 million nominal value of this Sub Notes.

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.

On 14 June 2019, the Bank issued a third tranche of RM1.0 billion nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM10.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this third tranche of the Sub Notes is 4.23% 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</u>		<u>The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
RM800 million Multi-currency Additional Tier-1 capital securities at par	800,000	400,000	800,000	400,000
Add: Interest payable	6,661	1,799	6,661	1,799
	806,661	401,799	806,661	401,799
Less: Unamortised discounts	(476)	(607)	(476)	(607)
	<u>806,185</u>	<u>401,192</u>	<u>806,185</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 Multi-currency Additional Tier 1 subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

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.

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

A24 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>30/06/2019</u> <u>RM'000</u>	<u>30/06/2018</u> <u>RM'000</u>
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,658	12,545
	<u>512,658</u>	<u>512,545</u>
Less: Unamortised discounts	(502)	(2,439)
Fair value adjustments on completion of business combination accounting	112	2,246
	<u><u>512,268</u></u>	<u><u>512,352</u></u>

On 10 September 2009, Promino Sdn Bhd (“Promino”) issued the first tranche of Innovative Tier 1 Capital Securities (“IT-1 Capital Securities”) amounting to RM500.0 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-1 Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of the Group and the Bank.

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

A25(a) Interest income

Group	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	1,203,823	1,173,412	4,827,453	4,642,090
Money at call and deposit placements with financial institutions	37,105	55,598	203,883	209,538
Securities purchased under resale agreements	1	(40)	12	3,513
Financial assets held-for-trading	-	96,586	-	382,004
Financial investments at FVOCI	191,420	-	816,881	-
Financial investments available-for-sale	-	188,476	-	742,369
Financial investments at amortised cost	95,139	-	427,136	-
Financial investments held-to-maturity	-	97,512	-	375,142
Others	2,044	788	9,496	2,903
	<u>1,529,532</u>	<u>1,612,332</u>	<u>6,284,861</u>	<u>6,357,559</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,129</u>	<u>25,684</u>	<u>12,915</u>	<u>52,766</u>

Bank	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	1,174,027	1,152,680	4,720,096	4,562,593
Money at call and deposit placements with financial institutions	32,722	57,792	197,060	209,566
Securities purchased under resale agreements	1	(40)	12	3,513
Financial assets held-for-trading	-	96,586	-	382,086
Financial investments at FVOCI	190,416	-	815,988	-
Financial investments available-for-sale	-	187,662	-	738,767
Financial investments at amortised cost	94,724	-	423,467	-
Financial investments held-to-maturity	-	96,387	-	370,398
Others	1,927	596	9,191	2,404
	<u>1,493,817</u>	<u>1,591,663</u>	<u>6,165,814</u>	<u>6,269,327</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>5,107</u>	<u>25,684</u>	<u>12,893</u>	<u>52,766</u>

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

A25(b) Interest income for financial assets at FVTPL

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets at FVTPL	104,566	-	397,201	-

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Financial assets at FVTPL	104,566	-	397,201	-

A26 Interest expense

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	52,664	44,863	265,971	165,480
Deposits from customers	754,585	738,287	3,031,773	2,803,439
Short-term placements	107,315	98,767	429,986	344,662
Tier 2 subordinated bonds	29,122	23,280	116,165	92,268
Multi-currency Additional Tier-1 capital securities	9,814	5,107	25,347	12,783
Innovative Tier 1 capital securities	10,443	9,726	41,053	38,205
Recourse obligation on loans sold to Cagamas	1,895	1,895	7,602	7,602
	<u>965,838</u>	<u>921,925</u>	<u>3,917,897</u>	<u>3,464,439</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	51,012	49,216	272,408	175,551
Deposits from customers	741,136	727,127	2,984,869	2,757,875
Short-term placements	107,315	98,767	429,986	344,662
Tier 2 subordinated bonds	29,092	23,280	116,135	92,268
Multi-currency Additional Tier-1 capital securities	9,856	5,149	25,513	12,051
Innovative Tier 1 capital securities	10,443	9,726	41,053	38,205
Recourse obligation on loans sold to Cagamas	1,895	1,895	7,602	7,602
	<u>950,749</u>	<u>915,160</u>	<u>3,877,566</u>	<u>3,428,214</u>

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

A27 Net income from Islamic Banking business

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds and others	355,550	342,340	1,455,046	1,279,994
of which Finance income	346,244	344,338	1,428,517	1,277,517
of which other operating income	9,306	(1,998)	26,529	2,477
Income derived from investment of shareholders' funds	58,180	24,377	176,972	137,744
of which Finance income	42,758	15,012	124,219	96,158
of which other operating income	15,422	9,365	52,753	41,586
Income derived from investment of investment account	10	-	12	-
Income attributable to depositors	(238,753)	(203,976)	(924,754)	(771,674)
Income attributable to depositors on investment account	(6)	-	(7)	-
	174,981	162,741	707,269	646,064

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

A28 Other operating income

<u>Group</u>	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	43,664	42,520	168,070	172,773
Service charges and fees	12,380	14,561	51,723	62,674
Guarantee fees	4,084	3,507	15,488	14,213
Credit card related fees	59,001	49,710	239,129	218,225
Corporate advisory fees	140	54	1,447	481
Commitment fees	8,289	8,058	32,662	33,086
Fee on loans, advances and financing	9,189	9,837	37,074	39,136
Other fee income	12,844	7,312	39,712	33,133
	<u>149,591</u>	<u>135,559</u>	<u>585,305</u>	<u>573,721</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	38,290	-	104,539	-
Net loss from sale of financial assets held-for-trading	-	(5,764)	-	10,902
Net (loss)/gain from sale of derivative financial instruments	(9,901)	(69,197)	(221,202)	28,185
Net gain from sale of financial investments at FVOCI	89,369	-	164,261	-
Net gain from sale of financial investments available-for-sale	-	63,893	-	197,037
Net gain from sale of financial investments at amortised cost	-	-	15,902	-
Net gain from redemption of financial investments held-to-maturity	-	4	-	7
	<u>117,758</u>	<u>(11,064)</u>	<u>63,500</u>	<u>236,131</u>
(c) <u>Gross dividend income from:</u>				
Financial assets at FVTPL	69,488	-	279,533	-
Financial investments at FVOCI	-	-	203	-
Financial investments available-for-sale	-	75,449	-	281,087
	<u>69,488</u>	<u>75,449</u>	<u>279,736</u>	<u>281,087</u>

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

A28 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets at FVTPL	8,792	-	51,544	-
- Financial assets held-for-trading	-	(130)	-	(2,457)
- Derivatives financial instruments	(58,576)	105,425	1,754	109,026
	<u>(49,784)</u>	<u>105,295</u>	<u>53,298</u>	<u>106,569</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(214)</u>	<u>(96)</u>	<u>(504)</u>	<u>(800)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(108)</u>	<u>(14)</u>	<u>(305)</u>	<u>(152)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	28,291	38,674	152,425	104,749
Rental income	3,437	1,975	12,113	7,770
Gain/(loss) on disposal of property and equipment	1,250	(54)	1,539	2,492
Net loss on dilution of investment in associated company	-	(26,800)	-	(26,800)
Net gain on divestment of a joint venture	-	-	90,106	-
Other non-operating income	4,874	4,242	17,188	15,614
	<u>37,852</u>	<u>18,037</u>	<u>273,371</u>	<u>103,825</u>
Total other operating income	<u>324,583</u>	<u>323,166</u>	<u>1,254,401</u>	<u>1,300,381</u>

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

A28 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	42,994	41,523	165,064	168,814
Service charges and fees	11,735	14,364	49,761	62,032
Guarantee fees	4,049	3,471	15,360	14,117
Credit card related fees	59,001	49,710	239,129	218,225
Corporate advisory fees	140	54	1,447	481
Commitment fees	8,017	7,866	31,678	32,407
Fee on loans, advances and financing	8,180	9,034	33,469	35,340
Other fee income	12,789	6,685	39,527	32,380
	<u>146,905</u>	<u>132,707</u>	<u>575,435</u>	<u>563,796</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	38,290	-	104,539	-
Net loss from sale of financial assets held-for-trading	-	(5,764)	-	10,902
Net (loss)/gain from sale of derivative financial instruments	(9,901)	(69,197)	(221,202)	28,185
Net gain from sale of financial investments at FVOCI	89,369	-	164,261	-
Net gain from sale of financial investments available-for-sale	-	63,893	-	196,818
Net gain from sale of financial investments at amortised cost	-	-	15,902	-
Net gain from redemption of financial investments held-to-maturity	-	4	-	7
	<u>117,758</u>	<u>(11,064)</u>	<u>63,500</u>	<u>235,912</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	20,020	43,400
Associated companies	170,628	138,560	174,604	138,560
Joint venture	-	-	-	4,882
Financial assets at FVTPL	69,488	-	279,533	-
Financial investments at FVOCI	-	-	203	-
Financial investments available-for-sale	-	75,449	-	281,087
	<u>240,116</u>	<u>214,009</u>	<u>474,360</u>	<u>467,929</u>

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

A28 Other operating income (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets at FVTPL	8,792	-	51,544	-
- Financial assets held-for-trading	-	(130)	-	(2,457)
- Derivatives financial instruments	(58,576)	105,425	1,754	109,026
	<u>(49,784)</u>	<u>105,295</u>	<u>53,298</u>	<u>106,569</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(214)</u>	<u>(96)</u>	<u>(504)</u>	<u>(800)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(108)</u>	<u>(14)</u>	<u>(305)</u>	<u>(152)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	28,596	38,209	150,983	103,180
Rental income	2,226	1,464	7,494	5,597
Gain/(loss) on disposal of property and equipment	1,368	(54)	1,657	2,492
Net gain on divestment of a joint venture	-	-	138,101	-
Other non-operating income	3,931	4,100	15,639	15,062
	<u>36,121</u>	<u>43,719</u>	<u>313,874</u>	<u>126,331</u>
Total other operating income	<u>490,794</u>	<u>484,556</u>	<u>1,479,658</u>	<u>1,499,585</u>

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

A29 Other operating expenses

<u>Group</u>	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	263,991	240,443	1,048,998	1,008,943
- Medical expenses	10,158	11,544	31,587	35,791
- Training and convention expenses	7,106	7,595	24,585	26,317
- Staff welfare	2,953	2,435	10,012	9,253
- Others	5,358	8,874	32,498	26,050
	<u>289,566</u>	<u>270,891</u>	<u>1,147,680</u>	<u>1,106,354</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,747	32,447	132,296	120,812
- Amortisation of intangible assets	13,763	15,260	54,189	71,841
- Rental of premises	14,369	15,271	58,900	73,071
- Information technology expenses	41,142	41,606	170,783	164,271
- Security services	7,562	8,128	28,807	28,896
- Electricity, water and sewerage	6,494	6,499	25,345	26,447
- Hire of plant and machinery	3,325	3,150	12,605	12,661
- Others	7,216	10,758	33,333	35,574
	<u>127,618</u>	<u>133,119</u>	<u>516,258</u>	<u>533,573</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	9,456	10,537	25,778	36,888
- Sales commission and credit card related fees	33,742	24,762	128,651	107,491
- Others	5,071	4,227	19,431	16,262
	<u>48,269</u>	<u>39,526</u>	<u>173,860</u>	<u>160,641</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,159	3,773	18,295	16,225
- Stationery and printing expenses	3,573	3,716	14,074	14,860
- Professional fees	22,990	24,848	87,840	88,287
- Insurance fees	9,947	9,877	42,103	41,772
- Stamp, postage and courier	3,646	1,686	13,876	13,971
- Travelling and transport expenses	1,256	1,393	4,637	4,414
- Registration and license fees	2,414	2,257	9,005	9,125
- Brokerage and commission	2,171	2,419	8,382	7,946
- Credit card fees	11,318	9,571	42,628	39,854
- Others	2,132	7,750	12,937	23,427
	<u>64,606</u>	<u>67,290</u>	<u>253,777</u>	<u>259,881</u>
	<u>530,059</u>	<u>510,826</u>	<u>2,091,575</u>	<u>2,060,449</u>

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

A29 Other operating expenses (continued)

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	217,704	196,065	864,504	838,865
- Medical expenses	8,558	10,195	26,472	31,108
- Training and convention expenses	5,892	6,431	20,542	21,569
- Staff welfare	2,545	2,089	8,632	7,973
- Others	3,559	7,162	25,559	19,760
	<u>238,258</u>	<u>221,942</u>	<u>945,709</u>	<u>919,275</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	29,773	24,779	115,934	102,085
- Amortisation of intangible assets	12,644	14,233	49,818	67,719
- Rental of premises	17,467	19,001	72,169	87,041
- Information technology expenses	36,517	39,334	155,412	153,584
- Security services	5,881	6,378	22,643	22,677
- Electricity, water and sewerage	5,250	5,725	20,823	20,812
- Hire of plant and machinery	3,163	2,997	11,968	12,026
- Others	3,747	6,147	16,787	18,114
	<u>114,442</u>	<u>118,594</u>	<u>465,554</u>	<u>484,058</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	9,040	9,402	23,491	33,796
- Sales commission and credit card related fees	33,742	24,762	128,651	107,491
- Others	3,768	3,398	14,434	13,610
	<u>46,550</u>	<u>37,562</u>	<u>166,576</u>	<u>154,897</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,023	3,681	17,883	15,826
- Stationery and printing expenses	3,369	3,546	13,359	13,965
- Professional fees	21,690	23,992	85,395	83,884
- Insurance fees	8,563	8,641	36,934	36,459
- Stamp, postage and courier	3,458	1,612	13,526	13,639
- Travelling and transport expenses	886	1,072	3,372	3,283
- Registration and license fees	2,152	2,027	8,011	8,154
- Brokerage and commission	1,068	1,026	4,489	3,793
- Credit card fees	11,318	9,571	42,628	39,854
- Others	4,386	7,460	18,791	20,161
	<u>61,913</u>	<u>62,628</u>	<u>244,388</u>	<u>239,018</u>
	<u>461,163</u>	<u>440,726</u>	<u>1,822,227</u>	<u>1,797,248</u>

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

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Allowance for/(written back of) impairment on loans, advances and financing:				
- expected credit losses	92,348	-	221,296	-
- collective assessment allowance	-	71,713	-	299,887
- individual assessment allowance	-	(5,431)	-	7,892
Impaired loans, advances and financing:				
- written off	3,918	4,601	17,679	19,719
- recovered from bad debt written off	(49,262)	(61,080)	(226,652)	(250,847)
	<u>47,004</u>	<u>9,803</u>	<u>12,323</u>	<u>76,651</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
Allowance for/(written back of) impairment on loans, advances and financing:				
- expected credit losses	68,203	-	144,291	-
- collective assessment allowance	-	49,023	-	224,340
- individual assessment allowance	-	(2,493)	-	(1,125)
Impaired loans, advances and financing:				
- written off	3,148	3,550	14,337	15,992
- recovered from bad debt written off	(44,168)	(52,885)	(202,339)	(206,558)
	<u>27,183</u>	<u>(2,805)</u>	<u>(43,711)</u>	<u>32,649</u>

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

A31 (Written back of)/allowance for impairment losses on financial investments and other financial assets

Group	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	(161)	-	(906)	-
- Financial investments at amortised cost	(70)	-	178	-
- Other receivables	(15)	-	(240)	-
- Cash and short-term funds	(71)	-	47	-
- Deposits and placements with banks and other financial institutions	(265)	-	(51)	-
Allowance for/(written back of) impairment losses on:				
- Financial investments available-for-sale	-	25	-	(73)
- Financial investments held-to-maturity	-	(4,657)	-	(7,058)
	<u>(582)</u>	<u>(4,632)</u>	<u>(972)</u>	<u>(7,131)</u>

Bank	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	(131)	-	(973)	-
- Financial investments at amortised cost	(73)	-	174	-
- Other receivables	(15)	-	(240)	-
- Cash and short-term funds	293	-	583	-
- Deposits and placements with banks and other financial institutions	206	-	1,140	-
Allowance for/(written back of) impairment losses on:				
- Financial investments available-for-sale	-	25	-	(73)
- Financial investments held-to-maturity	-	(4,657)	-	(7,058)
	<u>280</u>	<u>(4,632)</u>	<u>684</u>	<u>(7,131)</u>

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

A32 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 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 Year Ended 30/06/2019	Financial Year Ended 30/06/2018	Financial Year Ended 30/06/2019	Financial Year Ended 30/06/2018
Before deducting proposed dividends				
CET I capital ratio	13.627%	13.113%	13.266%	12.545%
Tier I capital ratio	14.585%	13.797%	14.074%	12.997%
Total capital ratio	<u>16.839%</u>	<u>16.752%</u>	<u>16.203%</u>	<u>16.301%</u>
After deducting proposed dividends				
CET I capital ratio	13.113%	12.614%	12.640%	11.949%
Tier I capital ratio	14.072%	13.298%	13.448%	12.401%
Total capital ratio	<u>16.326%</u>	<u>16.253%</u>	<u>15.577%</u>	<u>15.706%</u>

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

A32 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Year Ended 30/06/2019 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2019 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	16,686,412	15,184,533	12,034,337	11,212,525
Other reserves	849,361	868,134	315,816	298,837
Less: Treasury shares	(727,817)	(732,267)	(727,817)	(732,267)
Less: Deferred tax assets	(16,030)	(53,067)	-	(47,908)
Less: Other intangible assets	(125,225)	(152,541)	(110,895)	(137,166)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/ associated companies/joint venture	(4,106,375)	(3,830,517)	(2,726,932)	(2,778,569)
Total CET I capital	18,468,077	17,192,026	14,752,025	13,782,968
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	799,523	399,393	799,523	399,393
Innovative Tier I capital securities	499,498	497,562	499,498	497,562
Additional Tier I capital before regulatory adjustments	1,299,021	896,955	1,299,021	896,955
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	1,299,021	896,955	899,021	496,955
Total Tier I capital	19,767,098	18,088,981	15,651,046	14,279,923
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves [#]	1,554,893	-	1,267,205	-
Collective assessment allowance [^] and regulatory reserves [#]	-	1,375,082	-	1,130,670
Subordinated bonds	1,499,970	2,499,820	1,499,970	2,499,820
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	-	-	(400,000)	-
Tier II capital before regulatory adjustments	3,054,863	3,874,902	2,367,175	3,630,490
Less : Investment in subsidiary companies/ associated companies/joint venture	-	-	-	-
Total Tier II capital	3,054,863	3,874,902	2,367,175	3,630,490
Total capital	22,821,961	21,963,883	18,018,221	17,910,413

[#] Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM847,070,000 (2018: RM741,694,000) and RM695,197,000 (2018: RM637,098,000) respectively.

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

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

A32 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Year Ended 30/06/2019 RM'000	Financial Year Ended 30/06/2018 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Year Ended 30/06/2018 RM'000
Credit risk *	124,391,420	118,853,998	101,376,433	98,504,099
Market risk	2,558,573	3,850,444	2,595,185	4,140,291
Operational risk	8,577,308	8,403,939	7,233,933	7,226,134
Total RWA	135,527,301	131,108,381	111,205,551	109,870,524

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM1,294,000 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 Year Ended 30/06/2019	Financial Year Ended 30/06/2018
Before deducting proposed dividends		
CET I capital ratio	10.529%	10.461%
Tier I capital ratio	12.258%	12.404%
Total capital ratio	<u>15.150%</u>	<u>15.477%</u>
After deducting proposed dividends		
CET I capital ratio	10.529%	10.461%
Tier I capital ratio	12.258%	12.404%
Total capital ratio	<u>15.150%</u>	<u>15.477%</u>

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

A33 Group segmental reporting on revenue, profit and assets

The business segment results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The various business segments are described below:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business & Corporate Banking focuses mainly on corporate and small medium enterprises. Products and services offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Global Markets refers to the Group's domestic treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

Overseas/International Operations refers to Hong Leong Bank Berhad Overseas Branches, Subsidiaries, Associates, Joint Venture and Representative Office. The overseas operations are mainly in commercial banking and treasury business.

Other operations refers to head office and other business segments.

Financial quarter ended 30/06/2019

	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	671,193	165,114	318,313	63,581	127,711	(178,088)	1,167,824
Inter-segment revenue	(66,276)	155,168	(149,501)	-	60,609	-	-
Segment revenue	<u>604,917</u>	<u>320,282</u>	<u>168,812</u>	<u>63,581</u>	<u>188,320</u>	<u>(178,088)</u>	<u>1,167,824</u>
Segment profit before taxation	219,276	214,242	138,305	7,301	191,688	(179,469)	591,343
Share of profit after tax of equity accounted associated companies				141,686			141,686
Profit before taxation							<u>733,029</u>
Taxation							(96,581)
Profit after taxation							<u><u>636,448</u></u>

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

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

Financial year ended 30/06/2019

	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	2,719,983	651,765	1,227,251	259,519	141,964	(274,647)	4,725,835
Inter-segment revenue	(227,330)	536,618	(710,213)	-	400,925	-	-
Segment revenue	<u>2,492,653</u>	<u>1,188,383</u>	<u>517,038</u>	<u>259,519</u>	<u>542,889</u>	<u>(274,647)</u>	<u>4,725,835</u>
Segment profit before taxation	1,065,316	827,692	406,696	35,750	569,503	(282,048)	2,622,909
Share of profit after tax of equity accounted associated companies				563,111			563,111
Profit before taxation							3,186,020
Taxation							(521,513)
Profit after taxation							<u>2,664,507</u>
Segment assets	96,394,407	33,131,270	52,948,686	14,335,769	-	-	196,810,132
Unallocated assets							10,559,283
Total assets							<u>207,369,415</u>

Corresponding quarter ended 30/06/2018

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	624,151	191,028	316,870	55,677	161,295	(172,707)	1,176,314
Inter-segment revenue	(1,881)	109,049	(199,957)	-	92,789	-	-
Segment revenue	<u>622,270</u>	<u>300,077</u>	<u>116,913</u>	<u>55,677</u>	<u>254,084</u>	<u>(172,707)</u>	<u>1,176,314</u>
Segment profit before taxation	242,825	219,193	86,151	8,916	281,863	(178,631)	660,317
Share of profit after tax of equity accounted associated company				111,680			111,680
Share of profit after tax of equity accounted joint venture				5,641			5,641
Profit before taxation							777,638
Taxation							(151,630)
Profit after taxation							<u>626,008</u>

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

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

Corresponding financial year ended 30/06/2018

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

A34 Property and equipment

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

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

There are no material events subsequent to the end of the financial year ended 30 June 2019.

A35(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial year ended 30 June 2019 except for the following:

- (a) On 30 April 2019, the Bank announced that HLF Credit (Perak) Bhd ("HLFC"), a wholly-owned subsidiary of HLB, had placed Chew Geok Lin Finance Sdn Bhd and WTB Corporation Sdn Bhd (collectively referred to as "Companies"), wholly-owned subsidiaries of HLFC, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. The Companies are dormant.
- (b) On 1 July 2019, the Bank announced that it had placed EB Nominees (Asing) Sendirian Berhad ("EB Nominees (Asing)"), a wholly-owned subsidiary of the Bank, under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. EB Nominees (Asing) is dormant.

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

A36 Commitments and contingencies

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

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

	The Group		The Bank	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Principal amount				
Direct credit substitutes	117,740	108,341	64,395	50,361
Certain transaction related contingent items	1,446,851	1,286,782	1,261,524	1,165,364
Short-term self liquidating trade related contingencies	674,511	831,871	638,625	800,721
Irrevocable commitments to extend credit:				
- maturity more than one year	17,720,606	14,301,856	12,749,585	10,410,497
- maturity less than one year	19,020,280	16,074,688	15,541,640	14,108,380
Foreign exchange related contracts:				
- less than one year	34,829,534	42,895,473	33,337,605	41,893,038
- one year to less than five years	3,995,994	2,640,932	3,995,994	2,640,932
- five years and above	301,327	517,408	301,327	517,408
Interest rate related contracts:				
- less than one year	38,511,811	28,281,796	38,511,811	28,281,796
- one year to less than five years	34,300,635	46,342,804	35,195,635	48,687,804
- five years and above	3,170,389	6,839,805	3,320,389	6,389,805
Equity related contracts:				
- less than one year	591,385	306,258	591,386	306,258
- one year to less than five years	127,853	503,502	127,852	503,502
Credit related contracts:				
- five years and above	82,753	-	82,753	-
Unutilised credit card lines	7,276,500	6,908,565	7,276,500	6,908,565
Total	162,168,169	167,840,081	152,997,021	162,664,431

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

A37 Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

(a) Connected parties exposures

	The Group		The Bank	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Aggregate value of outstanding credit exposures with connected parties	2,210,547	2,340,089	2,188,386	2,317,297
Outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.43%	1.61%	1.78%	1.96%
Outstanding credit exposures with connected parties which is non-performing or in default as a proportion of total credit exposures (%)	0.0002%	0.0002%	0.0003%	0.0003%

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

A38 Fair value of financial instruments

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

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

A38 Fair value of financial instruments (continued)

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

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

	The Group			
	Financial Year Ended 30/06/2019			
	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	-	4,397,706	-	4,397,706
- Quoted securities	7,234,755	-	-	7,234,755
- Unquoted securities	-	193,000	305,572	498,572
Financial investments at FVOCI				
- Money market instrument	-	11,200,720	-	11,200,720
- Quoted securities	3,414,587	-	-	3,414,587
- Unquoted securities	-	9,194,872	44,331	9,239,203
Derivative financial instruments	32	520,412	7,812	528,256
	<u>10,649,374</u>	<u>25,506,710</u>	<u>357,715</u>	<u>36,513,799</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	2,940	667,885	7,812	678,637
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,104,802	-	2,104,802
	<u>2,940</u>	<u>2,772,687</u>	<u>7,812</u>	<u>2,783,439</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 year (2018: RM Nil).

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

A38 Fair value of financial instruments (continued)

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

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

	The Bank			
	Financial Year Ended 30/06/2019			
	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	-	3,882,411	-	3,882,411
- Quoted securities	7,234,755	-	-	7,234,755
- Unquoted securities	-	193,000	305,572	498,572
Financial investments at FVOCI				
- Money market instrument	-	9,322,560	-	9,322,560
- Quoted securities	3,381,473	-	-	3,381,473
- Unquoted securities	-	7,997,634	44,331	8,041,965
Derivative financial instruments	32	515,151	7,812	522,995
	<u>10,616,260</u>	<u>21,910,756</u>	<u>357,715</u>	<u>32,884,731</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	2,940	664,290	7,812	675,042
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,758,009	-	1,758,009
	<u>2,940</u>	<u>2,422,299</u>	<u>7,812</u>	<u>2,433,051</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 year (2018: RM Nil).

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

A38 Fair value of financial instruments (continued)

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

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

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	290,480	33,477	(467,512)	-	-
At 1 July, as restated	290,480	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	15,092	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	-	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
At 30 June	305,572	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

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	290,480	33,477	(467,512)	-	-
At 1 July, as restated	290,480	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	15,092	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	-	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
At 30 June	305,572	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

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

A38 Fair value of financial instruments (continued)

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

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

The Group 2018	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Settlements	-	(6,036)	(6,036)
Disposal	(149,361)	-	-
At 30 June	<u>467,512</u>	<u>13,876</u>	<u>13,876</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	<u>-</u>	<u>4,672</u>	<u>4,672</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>
The Bank 2018	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Settlements	-	(6,036)	(6,036)
Disposal	(149,361)	-	-
At 30 June	<u>467,512</u>	<u>13,876</u>	<u>13,876</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	<u>-</u>	<u>4,672</u>	<u>4,672</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	<u>162,113</u>	<u>-</u>	<u>-</u>

A39 Liquidity risk

Please refer to Appendix A.

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

A40 Change in Accounting Policies

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

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

The Group	MFRS 139	Classification	Expected	MFRS 9
Statements of Financial Position	carrying	and	credit losses	carrying
	amount	measurement	RM'000	amount
	30 June 2018	RM'000	RM'000	1 July 2018
	RM'000	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	-	11,323,897	-	11,323,897
Financial assets held-for-trading	5,969,872	(5,969,872)	-	-
Financial investments at fair value through other comprehensive income	-	25,206,604	(6,881)	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	28,966	(358,235)	127,729,836
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	(75,273)	(366,690)	202,448,810

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

A40 Change in Accounting Policies (continued)

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

The Group	MFRS 139	Classification	Expected	MFRS 9
Statements of Financial Position	carrying	and	credit losses	carrying
	amount	measurement	RM'000	amount
	30 June 2018	RM'000		1 July 2018
	RM'000	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	-	6,920	4,726,366
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	6,953	(87,487)	131,085
TOTAL LIABILITIES	178,998,514	6,953	(80,567)	178,924,900
Share capital	7,739,063	-	-	7,739,063
Retained profits	15,184,533	206,362	(281,843)	15,109,052
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	(82,226)	(286,123)	23,523,910
TOTAL LIABILITIES AND EQUITY	202,890,773	(75,273)	(366,690)	202,448,810

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

A40 Change in Accounting Policies (continued)

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

The Bank	MFRS 139	Classification	Expected	MFRS 9
Statements of Financial Position	carrying	and	credit losses	carrying
	amount	measurement	RM'000	amount
	30 June 2018	RM'000	RM'000	1 July 2018
	RM'000	RM'000	RM'000	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	-	11,172,871	-	11,172,871
Financial assets held-for-trading	5,619,035	(5,619,035)	-	-
Financial investments at fair value through other comprehensive income	-	22,281,877	(6,838)	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	13,393	(329,521)	103,958,775
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	(95,089)	(337,484)	168,678,464

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

A40 Change in Accounting Policies (continued)

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

The Bank	MFRS 139	Classification	Expected	MFRS 9
Statements of Financial Position	carrying	and	credit losses	carrying
	amount	measurement	RM'000	amount
	30 June 2018	RM'000		1 July 2018
	RM'000	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	-	6,749	3,938,918
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	3,216	(81,350)	93,824
TOTAL LIABILITIES	149,847,950	3,216	(74,601)	149,776,565
Share capital	7,739,063	-	-	7,739,063
Retained profits	11,212,525	193,374	(230,875)	11,175,024
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	(98,305)	(262,883)	18,901,899
TOTAL LIABILITIES AND EQUITY	169,111,037	(95,089)	(337,484)	168,678,464

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

A40 Change in Accounting Policies (continued)

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

	Effect of adopting MFRS 9 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	-	-
- reclassification from financial assets held-for-trading	3,415,512	3,264,486
- reclassification from financial investments available-for-sale	8,021,074	8,021,074
- reclassification from financial investments held-to-maturity	30,866	30,866
- remeasurement of fair value of financial instrument	(143,555)	(143,555)
Opening balance under MFRS 9 as at 1 July 2018	<u>11,323,897</u>	<u>11,172,871</u>
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 30 June 2018	5,969,872	5,619,035
- reclassification to financial assets at FVTPL	(3,415,512)	(3,264,486)
- reclassification 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	-	-
- reclassification from financial investments available-for-sale	19,648,574	17,500,274
- reclassification from financial assets held-for-trading	2,554,360	2,354,549
- reclassification from financial investments held-to-maturity	2,989,050	2,414,372
- reversal of unrealised loss on financial investments at FVOCI	3,706	3,706
- unrealised gain on financial investments at FVOCI reclassified from financial investments held-to-maturity	10,914	8,976
- recognition of expected credit losses under MFRS 9	(6,881)	(6,838)
Opening balance under MFRS 9 as at 1 July 2018	<u>25,199,723</u>	<u>22,275,039</u>

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

A40 Change in Accounting Policies (continued)

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

	Effect of adopting MFRS 9 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
- reclassification to financial investments at FVOCI	(19,648,574)	(17,500,274)
- reclassification to financial investments at amortised cost	(4,193,288)	(3,497,232)
- reclassification 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	-	-
- reclassification from financial investments held-to-maturity	11,417,029	8,461,327
- reclassification 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
- reclassification to financial assets at FVTPL	(30,866)	(30,866)
- reclassification to financial investments at FVOCI	(2,989,050)	(2,414,372)
- reclassification 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	(358,235)	(329,521)
- remeasurement of loans, advances and financing	28,966	13,393
Opening balance under MFRS 9 as at 1 July 2018	<u>127,729,836</u>	<u>103,958,775</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>
Other liabilities		
Closing balance under MFRS 139 as at 30 June 2018	4,719,446	3,932,169
- recognition of expected credit losses under MFRS 9	6,920	6,749
Opening balance under MFRS 9 as at 1 July 2018	<u>4,726,366</u>	<u>3,938,918</u>

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

A40 Change in Accounting Policies (continued)

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

	Effect of adopting MFRS 9 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 transfer from other reserves	341,984	339,495
- remeasurement of fair value of financial instruments	(143,555)	(143,555)
- remeasurement of loans, advances and financing	28,966	13,393
- recognition of expected credit losses under MFRS 9	(373,610)	(344,233)
- tax effect arising from adoption of MFRS 9	66,454	65,391
Opening balance under MFRS 9 as at 1 July 2018	<u>15,109,052</u>	<u>11,175,024</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	3,706	3,706
- unrealised gain on financial investments at FVOCI reclassified from financial investments held-to-maturity	10,914	8,976
- remeasurement of debt instruments at amortised cost previously held at financial investments available-for-sale	38,776	35,134
- unrealised gain on financial assets at FVTPL transfer to retained profits	(341,984)	(339,495)
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>

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

A40 Change in Accounting Policies (continued)

- (ii) The following table is a reconciliation of the impairment allowance from the closing balance as at 30 June 2018 in accordance with MFRS 139 to the opening balance as at 1 July 2018 in accordance with MFRS 9:

The Group	MFRS 139 balance as at 30 June 2018 RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 July 2018 RM'000
Cash and short-term funds	-	463	463
Deposits and placements with banks and other financial institutions	-	281	281
Financial investments at fair value through other comprehensive income	-	6,881	6,881
Financial investments at amortised cost	-	830	830
Loans, advances and financing	1,006,902	358,235	1,365,137
Other liabilities	-	6,920	6,920
	<u>1,006,902</u>	<u>373,610</u>	<u>1,380,512</u>

The Bank	MFRS 139 balance as at 30 June 2018 RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 July 2018 RM'000
Cash and short-term funds	-	69	69
Deposits and placements with banks and other financial institutions	-	229	229
Financial investments at fair value through other comprehensive income	-	6,838	6,838
Financial investments at amortised cost	-	827	827
Loans, advances and financing	801,663	329,521	1,131,184
Other liabilities	-	6,749	6,749
	<u>801,663</u>	<u>344,233</u>	<u>1,145,896</u>

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

A40 Change in Accounting Policies (continued)

(iii) Presentation of interest for derivatives and other financial instruments measured at FVTPL

MFRS 9 introduced a consequential amendment to paragraph 82(a) of MFRS 1 'Presentation of Financial Statements', which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest/profit revenue calculated using the effective interest/profit method should be separately presented as a component of revenue on the face of the income statement.

The effective interest/profit method does not apply to derivatives and other instruments measured at FVTPL. The interest/profit arising on such instruments should not be included in the line item of 'interest/profit income' (except for gains and losses arising from related hedging instruments that are accounted for as hedges under MFRS 9).

Accordingly, the Group and the Bank have changed the classification of interest/profit income for financial assets measured at FVTPL and derivative instruments from 'Interest income' to 'Interest income for financial assets at FVTPL' as reflected in Note A25(b).

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

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

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a pre-tax profit of RM733.0 million for the current financial quarter ended 30 June 2019, a decrease of RM44.6 million or 5.7% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to lower net income of RM8.5 million, higher operating expenses of RM19.2 million, higher allowance for impairment losses on loans, advances and financing of RM37.2 million and lower written back of impairment losses on financial investments and other financial assets of RM4.1 million. However, this was mitigated by higher share of profit from associated company of RM24.4 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM219.3 million for the fourth quarter ended 30 June 2019 as compared to previous corresponding quarter of RM242.8 million. The decrease in pre-tax profit was mainly contributed by lower total income and higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM214.2 million for the fourth quarter ended 30 June 2019 as compared to previous corresponding quarter of RM219.2 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 RM138.3 million for the fourth quarter ended 30 June 2019 as compared to previous corresponding quarter of RM86.2 million. The increase in pre-tax profit was mainly contributed by higher total income and lower operating expenses, partially offset by higher allowance for impairment losses on financial investments and other financial assets.

International Banking

The International Banking's segment recorded a pre-tax profit of RM149.0 million for the fourth quarter ended 30 June 2019 as compared to previous corresponding quarter of RM126.2 million. The increase in pre-tax profit was mainly contributed by higher total income and higher share of profit from associated company in China, partially offset by higher operating expenses.

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

B1 Review of performance (continued)

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

The Group's pre-tax profit for the financial year ended 30 June 2019 stood at RM3,186.0 million, a decrease of RM60.2 million or 1.9% as compared to RM3,246.2 million in the previous financial year. The decrease was mainly due to lower net income of RM113.7 million, higher operating expenses of RM31.1 million and lower written back of impairment losses on financial investments and other financial assets of RM6.2 million. This was mitigated by lower allowance for impairment losses on loans, advances and financing of RM64.3 million and higher share of profit from associated company of RM26.5 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM1,065.3 million for the financial year ended 30 June 2019 as compared to previous corresponding period of RM1,118.6 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.

Personal Financial Services's loan base grew from RM90.4 billion as at 30 June 2018 to RM96.2 billion as at 30 June 2019. Deposit base reduced from RM90.5 billion to RM87.3 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM827.7 million for the financial year ended 30 June 2019 as compared to previous corresponding period of RM830.8 million. The decrease in pre-tax profit was mainly contributed by higher total operating expenses and higher allowance for impairment losses on loans, advances and financing, partially offset by higher total income.

Business and Corporate Banking's loan base increased from RM31.2 billion as at 30 June 2018 to RM33.1 billion as at 30 June 2019. Deposit base increased from RM30.7 billion to RM36.2 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM406.7 million for the financial year ended 30 June 2019 as compared to previous corresponding period of RM468.2 million. The decrease in pre-tax profit was mainly contributed by lower total income, higher total operating expenses and higher allowance for impairment losses on financial investments and other financial assets.

Treasury earning assets reduced from RM56.2 billion as at 30 June 2018 to RM51.9 billion as at 30 June 2019.

International Banking

The International Banking's segment recorded a pre-tax profit of RM598.9 million for the financial year ended 30 June 2019 as compared to previous corresponding period of RM589.8 million. The increase in pre-tax profit was mainly contributed by higher total income and share of profit from associated company in China, partially offset by higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

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

B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM733.0 million as compared to RM778.6 million in the preceding quarter, a decrease of RM45.6 million mainly contributed by higher operating expenses of RM4.5 million, higher allowance for impairment losses on loans, advances and financing of RM42.3 million, lower written back of impairment losses on financial investments and other financial assets of RM0.5 million. However, this was partially offset by higher net income of RM1.0 million and higher share of profit from associated companies of RM0.7 million.

B3 Prospects for the new financial year 2019/2020

Growth prospects of the Malaysian economy is expected to remain moderate in 2020, against a challenging global landscape. A still healthy labour market, anticipation of pick-up in investment spending following the revival of numerous major infrastructure projects, are expected to help underpin domestic demand. This shall help negate some of the fallouts from a softer external environment possibly still mired in spillover effects from the geopolitical tensions currently impacting global trade.

Being digital at the core, we remained steadfast in becoming a highly digital and innovative ASEAN financial services institution. Our focus is to provide clients with simple and relevant, personal and fair banking experiences while creating an organisational culture for our people to thrive in. We will explore new growth opportunities while revamping our cost structure through a pervasive digital transformation, enabling us to achieve sustainable growth and creating stakeholders' value.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	80,824	184,386	562,716	658,826
Transfer (to)/from deferred taxation	15,757	(32,756)	(41,203)	(50,649)
	<u>96,581</u>	<u>151,630</u>	<u>521,513</u>	<u>608,177</u>

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	93,511	191,853	476,333	598,050
Transfer (to)/from deferred taxation	21,527	(31,673)	(17,337)	(52,529)
	<u>115,038</u>	<u>160,180</u>	<u>458,996</u>	<u>545,521</u>

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

B6 Profit on sale of unquoted investments/properties

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

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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

B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 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	28,236,403	103,511	(90,675)
(ii) 1 year to 3 years	70,414	-	(317)
Swaps			
(i) Less than 1 year	4,680,498	36,403	(19,942)
(ii) 1 year to 3 years	2,787,703	19,450	(54,137)
(iii) More than 3 years	1,439,204	120,602	(9,555)
Options			
(i) Less than 1 year	1,912,633	8,129	(4,416)
Interest rate related contracts			
Futures			
(i) Less than 1 year	17,603,502	32	(2,940)
Swaps			
(i) Less than 1 year	20,908,309	61,272	(67,678)
(ii) 1 year to 3 years	21,807,428	56,973	(135,310)
(iii) More than 3 years	15,663,596	113,062	(284,845)
Equity related contracts			
(i) Less than 1 year	591,385	4,761	(4,761)
(ii) 1 year to 3 years	127,853	3,053	(3,053)
Credit related contracts			
(iii) More than 3 years	82,753	1,008	(1,008)
Total	115,911,681	528,256	(678,637)

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

B9 Off-balance sheet financial instruments (continued)

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

The Group

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

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

B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 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	26,765,938	98,328	(86,146)
(ii) 1 year to 3 years	70,414	-	(317)
Swaps			
(i) Less than 1 year	4,659,034	36,403	(19,942)
(ii) 1 year to 3 years	2,787,703	19,450	(54,137)
(iii) More than 3 years	1,439,204	120,602	(9,555)
Options			
(i) Less than 1 year	1,912,633	8,129	(4,416)
Interest rate related contracts			
Futures			
(i) Less than 1 year	17,603,500	32	(2,940)
Swaps			
(i) Less than 1 year	20,908,311	61,258	(67,678)
(ii) 1 year to 3 years	22,572,428	58,391	(136,754)
(iii) More than 3 years	15,943,596	111,580	(284,335)
Equity related contracts			
(i) Less than 1 year	591,385	4,761	(4,761)
(ii) 1 year to 3 years	127,853	3,053	(3,053)
Credit related contracts			
(iii) More than 3 years	82,753	1,008	(1,008)
Total	115,464,752	522,995	(675,042)

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

B9 Off-balance sheet financial instruments (continued)

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

The Bank

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

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

B9 Off-balance sheet financial instruments (continued)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM41,912,000 (FYE June 2018: RM57,213,000) and RM79,552,125,000 (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 RM580,235,000 (FYE June 2018: RM1,049,517,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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

B10 Material litigation

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

B11 Dividend

A final single tier dividend of 34.0 sen per share has been proposed for the current quarter.

- (i) Amount per share: 34.0 sen.
- (ii) Previous corresponding quarter: single tier dividend of 32.0 sen per share.
- (iii) Entitlement date: To be announced later.
- (iv) Payment date: To be announced later.

B12 Earnings per share

(a) Basic earnings per share

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	636,448	626,008	2,664,507	2,638,078
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	(121,723)	(122,041)	(121,723)	(122,041)
	2,045,995	2,045,677	2,045,995	2,045,677
Basic earnings per share (sen)	31.1	30.6	130.2	129.0
<u>The Bank</u>				
Net profit attributable to equity holders	534,764	567,590	1,926,911	1,972,411
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	(121,723)	(122,041)	(121,723)	(122,041)
	2,045,995	2,045,677	2,045,995	2,045,677
Basic earnings per share (sen)	26.1	27.7	94.2	96.4

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

B12 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	4th Quarter Ended		Cumulative Twelve Months Ended	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	636,448	626,008	2,664,507	2,638,078
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,995	2,045,677	2,045,995	2,045,677
- adjustment for ESS	4,310	3,423	4,310	3,423
	2,050,305	2,049,100	2,050,305	2,049,100
Fully diluted earnings per share (sen)	31.0	30.6	130.0	128.7
<u>The Bank</u>				
Net profit attributable to equity holders	534,764	567,590	1,926,911	1,972,411
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,995	2,045,677	2,045,995	2,045,677
- adjustment for ESS	4,310	3,423	4,310	3,423
	2,050,305	2,049,100	2,050,305	2,049,100
Fully diluted earnings per share (sen)	26.1	27.7	94.0	96.3

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

A39 Liquidity risk

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

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity:

	The Group							Total
	30 June 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	4,309,642	545,814	-	-	-	-	-	4,855,456
Deposits and placements with banks and other financial institutions	-	-	872,409	272,868	146,139	-	-	1,291,416
Financial assets at fair value through profit or loss	12,836	333	138,749	27,198	163,866	11,482,479	305,572	12,131,033
Financial investments at fair value through other comprehensive income	169,192	471,922	1,307,777	572,769	1,243,510	20,045,009	44,331	23,854,510
Financial investments at amortised cost	883	512	957	914	75,253	15,074,680	-	15,153,199
Loans, advances and financing	12,298,130	5,596,972	5,344,123	1,859,481	659,641	110,549,870	-	136,308,217
Other assets	788,102	9,560	6,219	7,499	1,298	28,957	355,346	1,196,981
Derivative financial instruments	42,006	32,344	41,184	51,789	46,785	314,148	-	528,256
Statutory deposits with Central Banks	-	-	-	-	-	-	4,588,833	4,588,833
Investment in associated companies	-	-	-	-	-	-	4,106,375	4,106,375
Property and equipment	-	-	-	-	-	-	1,382,572	1,382,572
Intangible assets	-	-	-	-	-	-	125,225	125,225
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	16,030	16,030
Total assets	17,620,791	6,657,457	7,711,418	2,792,518	2,336,492	157,495,143	12,755,596	207,369,415

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

A39 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity: (continued)

	The Group							Total
	30 June 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	59,062,352	27,177,389	31,419,431	19,699,578	21,909,182	3,802,362	-	163,070,294
Investment accounts of customers	13	187	2,034	1	-	-	-	2,235
Deposits and placements of banks and other financial institutions	2,288,410	1,269,354	3,631,083	127,940	41,637	-	-	7,358,424
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	244	46,459	128,278	35,082	11	-	182,949	393,023
Other liabilities	4,594,642	777	499	405	194,073	-	91,349	4,881,745
Derivative financial instruments	26,398	26,395	47,253	33,564	56,802	488,225	-	678,637
Recourse obligation on loans sold to Cagamas	-	-	203,591	-	-	50,000	-	253,591
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,863	1,799	-	799,523	-	806,185
Innovative Tier 1 capital securities	-	-	512,268	-	-	-	-	512,268
Taxation	-	-	-	-	-	-	95,864	95,864
Deferred tax liabilities	-	-	-	-	-	-	6,506	6,506
Total liabilities	66,260,280	28,699,833	37,815,723	19,900,739	22,201,705	6,640,080	376,668	181,895,028
Total equity	-	-	-	-	-	-	25,474,387	25,474,387
Total liabilities and equity	66,260,280	28,699,833	37,815,723	19,900,739	22,201,705	6,640,080	25,851,055	207,369,415
Net liquidity gap	(48,639,489)	(22,042,376)	(30,104,305)	(17,108,221)	(19,865,213)	150,855,063	12,378,928	25,474,387

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

A39 Liquidity risk (continued)

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

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

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

A39 Liquidity risk (continued)

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

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

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

A39 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity:

	The Bank							Total
	30 June 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	3,618,599	764,475	-	-	-	-	-	4,383,074
Deposits and placements with banks and other financial institutions	-	-	1,046,933	272,868	146,139	-	-	1,465,940
Financial assets at fair value through profit or loss	12,836	333	138,749	27,198	163,866	10,967,184	305,572	11,615,738
Financial investments at fair value through other comprehensive income	169,192	361,962	1,108,797	502,064	1,063,220	17,496,432	44,331	20,745,998
Financial investments at amortised cost	883	512	957	914	75,253	10,815,986	-	10,894,505
Loans, advances and financing	10,555,719	5,009,250	4,984,949	1,639,889	556,855	86,188,308	-	108,934,970
Other assets	773,946	6,881	5,990	7,171	1,223	28,882	322,189	1,146,282
Derivative financial instruments	41,938	30,745	39,105	50,672	46,451	314,084	-	522,995
Amount due from subsidiaries	-	-	-	-	-	-	13,095	13,095
Statutory deposits with Central Banks	-	-	-	-	-	-	3,564,423	3,564,423
Subsidiary companies	-	-	-	-	-	-	2,558,337	2,558,337
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	761,639	761,639
Intangible assets	-	-	-	-	-	-	110,895	110,895
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	15,173,113	6,174,158	7,325,480	2,500,776	2,053,007	125,810,876	10,423,210	169,460,620

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

A39 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 30 June 2019 based on the remaining contractual maturity: (continued)

	The Bank							Total
	30 June 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	48,549,789	22,288,137	23,539,897	14,856,490	18,933,045	3,229,167	-	131,396,525
Deposits and placements of banks and other financial institutions	2,724,471	1,115,297	3,255,858	67,671	41,637	-	-	7,204,934
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	222	44,933	121,287	27,757	11	-	168,368	362,578
Other liabilities	4,054,048	768	462	388	184,733	-	49,677	4,290,076
Derivative financial instruments	26,352	24,611	44,739	33,749	56,432	489,159	-	675,042
Recourse obligation on loans sold to Cagamas	-	-	202,954	-	-	-	-	202,954
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,863	1,799	-	799,523	-	806,185
Innovative Tier 1 capital securities	-	-	512,268	-	-	-	-	512,268
Taxation	-	-	-	-	-	-	42,152	42,152
Total liabilities	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	266,703	149,335,476
Total equity	-	-	-	-	-	-	20,125,144	20,125,144
Total liabilities and equity	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	20,391,847	169,460,620
Net liquidity gap	(40,469,990)	(17,478,860)	(22,223,271)	(12,489,448)	(17,162,851)	119,793,057	10,156,507	20,125,144

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

A39 Liquidity risk (continued)

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

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

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

A39 Liquidity risk (continued)

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

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