

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

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

		The Group		The Bank	
	Note	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<u>ASSETS</u>					
Cash and short-term funds		7,489,530	4,855,456	6,532,803	4,383,074
Deposits and placements with banks and other financial institutions		1,311,136	1,291,416	1,266,675	1,465,940
Investment accounts due from designated financial institutions	A8	-	-	400,040	-
Financial assets at fair value through profit or loss	A9	9,883,965	12,131,033	9,883,965	11,615,738
Financial investments at fair value through other comprehensive income	A10	21,579,143	23,854,510	18,747,120	20,745,998
Financial investments at amortised cost	A11	15,111,712	15,153,199	10,865,152	10,894,505
Loans, advances and financing	A12	137,466,166	136,308,217	108,832,292	108,934,970
Other assets	A13	838,617	1,196,981	776,661	1,146,282
Derivative financial instruments		616,920	528,256	606,110	522,995
Amount due from subsidiaries		-	-	72,923	13,095
Statutory deposits with Central Banks		4,695,756	4,588,833	3,627,322	3,564,423
Subsidiary companies		-	-	2,568,199	2,558,337
Investment in associated companies		4,131,905	4,106,375	971,182	971,182
Property and equipment		1,378,609	1,382,572	756,040	761,639
Intangible assets		117,250	125,225	103,686	110,895
Right-of-use assets		294,119	-	470,582	-
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		28,239	16,030	8,230	-
TOTAL ASSETS		206,774,379	207,369,415	168,260,529	169,460,620
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A14	163,543,346	163,070,294	131,578,891	131,396,525
Investment accounts of customers	A15	4,825	2,235	-	-
Deposits and placements of banks and other financial institutions	A16	5,962,604	7,358,424	6,021,245	7,204,934
Obligations on securities sold under repurchase agreements		2,085,791	2,333,916	2,085,791	2,333,916
Bills and acceptances payable		279,126	393,023	240,479	362,578
Lease liabilities		274,895	-	447,145	-
Other liabilities	A17	4,849,311	4,881,745	4,111,720	4,290,076
Derivative financial instruments		777,882	678,637	767,208	675,042
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")		452,002	253,591	-	202,954
Tier 2 subordinated bonds	A18	1,519,126	1,502,340	1,519,126	1,502,340
Multi-currency Additional Tier 1 capital securities	A19	806,579	806,185	806,579	806,185
Innovative Tier 1 capital securities	A20	-	512,268	-	512,268
Provision for taxation		150,266	95,864	96,019	42,152
Deferred tax liabilities		-	6,506	-	6,506
TOTAL LIABILITIES		180,705,753	181,895,028	147,674,203	149,335,476
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		19,056,840	18,463,141	13,574,540	13,113,898
Less: Treasury shares		(727,277)	(727,817)	(727,277)	(727,817)
TOTAL SHAREHOLDERS' EQUITY		26,068,626	25,474,387	20,586,326	20,125,144
TOTAL LIABILITIES AND EQUITY		206,774,379	207,369,415	168,260,529	169,460,620
<u>COMMITMENTS AND CONTINGENCIES</u>	A32	152,290,992	162,168,169	140,063,665	152,997,021
Net asset per share attributable to ordinary equity holders of the parent (RM) *		12.74	12.45	10.06	9.83

* 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 2019.

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

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 30 September 2019

	Note	The Group			
		Current Quarter Ended 30/09/2019 RM'000	Corresponding Quarter Ended 30/09/2018 RM'000	Current Period Ended 30/09/2019 RM'000	Corresponding Period Ended 30/09/2018 RM'000
Interest income	A21(a)	1,542,405	1,571,797	1,542,405	1,571,797
Interest income for financial assets at fair value through profit or loss	A21(b)	69,653	95,553	69,653	95,553
Interest expense	A22	(907,746)	(969,105)	(907,746)	(969,105)
Net interest income		704,312	698,245	704,312	698,245
Net income from Islamic Banking business	A23	199,791	171,076	199,791	171,076
Other operating income	A24	310,989	379,704	310,989	379,704
Net income		1,215,092	1,249,025	1,215,092	1,249,025
Other operating expenses	A25	(522,259)	(525,162)	(522,259)	(525,162)
Operating profit before allowances		692,833	723,863	692,833	723,863
Written back of/(allowance for) impairment losses on loans, advances and financing	A26	8,891	(18,767)	8,891	(18,767)
Allowance for impairment losses on financial investments and other financial assets	A27	(100)	(832)	(100)	(832)
Share of profit after tax of equity accounted associated companies		701,624	704,264	701,624	704,264
		144,929	146,871	144,929	146,871
Profit before taxation		846,553	851,135	846,553	851,135
Taxation	B5	(157,975)	(144,220)	(157,975)	(144,220)
Net profit for the financial period		688,578	706,915	688,578	706,915
Attributable to:					
Owners of the parent		688,578	706,915	688,578	706,915
Earnings per share - basic (sen)	B12(a)	33.6	34.6	33.6	34.6
Earnings per share - fully diluted (sen)	B12(b)	33.6	34.4	33.6	34.4

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 30 September 2019

	The Group			
	Current Quarter Ended 30/09/2019 RM'000	Corresponding Quarter Ended 30/09/2018 RM'000	Current Period Ended 30/09/2019 RM'000	Corresponding Period Ended 30/09/2018 RM'000
Net profit for the financial period	<u>688,578</u>	<u>706,915</u>	<u>688,578</u>	<u>706,915</u>
Other comprehensive loss in respect of:				
Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive loss of associated company	(7,930)	(822)	(7,930)	(822)
(b) Currency translation differences	(103,934)	(45,491)	(103,934)	(45,491)
(c) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	13,806	33,265	13,806	33,265
- Changes in expected credit losses	56	-	56	-
(d) Net fair value changes in cash flow hedge	(811)	(729)	(811)	(729)
Income tax relating to components of other comprehensive income	<u>(2,697)</u>	<u>(11,743)</u>	<u>(2,697)</u>	<u>(11,743)</u>
Other comprehensive loss for the financial period, net of tax	<u>(101,510)</u>	<u>(25,520)</u>	<u>(101,510)</u>	<u>(25,520)</u>
Total comprehensive income for the financial period	<u><u>587,068</u></u>	<u><u>681,395</u></u>	<u><u>587,068</u></u>	<u><u>681,395</u></u>
Attributable to:				
- Owners of the parent	<u><u>587,068</u></u>	<u><u>681,395</u></u>	<u><u>587,068</u></u>	<u><u>681,395</u></u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 30 September 2019

	Note	The Bank			
		Current Quarter Ended 30/09/2019 RM'000	Corresponding Quarter Ended 30/09/2018 RM'000	Current Period Ended 30/09/2019 RM'000	Corresponding Period Ended 30/09/2018 RM'000
Interest income	A21(a)	1,508,658	1,546,213	1,508,658	1,546,213
Interest income for financial assets at fair value through profit or loss	A21(b)	69,653	95,553	69,653	95,553
Interest expense	A22	(897,911)	(961,716)	(897,911)	(961,716)
Net interest income		680,400	680,050	680,400	680,050
Other operating income	A24	306,022	432,823	306,022	432,823
Net income		986,422	1,112,873	986,422	1,112,873
Other operating expenses	A25	(445,008)	(457,324)	(445,008)	(457,324)
Operating profit before allowances Written back of/(allowance for) impairment losses on loans, advances and financing	A26	541,414	655,549	541,414	655,549
Allowance for impairment losses on financial investments and other financial assets	A27	55,104	(6,741)	55,104	(6,741)
Profit before taxation		(1,183)	(1,915)	(1,183)	(1,915)
Taxation	B5	595,335	646,893	595,335	646,893
Net profit for the financial period		(133,684)	(117,629)	(133,684)	(117,629)
Attributable to:					
Owners of the parent		461,651	529,264	461,651	529,264
Earnings per share - basic (sen)	B12(a)	22.6	25.9	22.6	25.9
Earnings per share - fully diluted (sen)	B12(b)	22.5	25.8	22.5	25.8

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 30 September 2019

	The Bank			
	Current Quarter Ended 30/09/2019 RM'000	Corresponding Quarter Ended 30/09/2018 RM'000	Current Period Ended 30/09/2019 RM'000	Corresponding Period Ended 30/09/2018 RM'000
Net profit for the financial period	461,651	529,264	461,651	529,264
Other comprehensive (loss)/income in respect of:				
Items that may be reclassified subsequently to profit or loss:				
(a) Currency translation differences	(6,150)	23,266	(6,150)	23,266
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(1,573)	18,169	(1,573)	18,169
- Changes in expected credit losses	120	-	120	-
(c) Net fair value changes in cash flow hedge	(812)	(729)	(812)	(729)
Income tax relating to components of other comprehensive loss/(income)	775	(8,270)	775	(8,270)
Other comprehensive (loss)/income for the financial period, net of tax	(7,640)	32,436	(7,640)	32,436
Total comprehensive income for the financial period	454,011	561,700	454,011	561,700

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

HONG LEONG BANK BERHAD

(97141-X)

(Incorporated in Malaysia)

Condensed Financial Statements

Unaudited Statements of Changes in Equity For The Financial Period Ended 30 September 2019

Attributable to owners of the parent

<u>The Group</u>	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 2019	7,739,063	918,414	858,315	16,686,412	(727,817)	25,474,387
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	688,578	-	688,578
- Share of other comprehensive income of associated company	-	(7,930)	-	-	-	(7,930)
- Financial assets measured at fair value through other comprehensive income						
- Debt instruments						
- Net fair value changes	-	10,878	-	-	-	10,878
- Changes in expected credit losses	-	56	-	-	-	56
- Net fair value changes in cash flow hedge	-	(580)	-	-	-	(580)
- Currency translation differences	-	(103,934)	-	-	-	(103,934)
Total comprehensive (loss)/income	-	(101,510)	-	688,578	-	587,068
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	110,418	(110,418)	-	-
ESS exercised	-	(102)	-	572	540	1,010
Option charge arising from ESS granted	-	6,161	-	-	-	6,161
Total transactions with owners	-	6,059	110,418	(109,846)	540	7,171
At 30 September 2019	7,739,063	822,963	968,733	17,265,144	(727,277)	26,068,626
At 1 July 2018	7,739,063	947,991	752,939	15,184,533	(732,267)	23,892,259
Effect of adopting MFRS 9	-	(288,588)	(4,280)	68,074	-	(224,794)
As restated	7,739,063	659,403	748,659	15,252,607	(732,267)	23,667,465
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	706,915	-	706,915
- Share of other comprehensive loss of associated company	-	(822)	-	-	-	(822)
- Net fair value changes in financial investments at fair value through other comprehensive income	-	21,424	-	-	-	21,424
- Net fair value changes in cash flow hedge	-	(631)	-	-	-	(631)
- Currency translation differences	-	(45,491)	-	-	-	(45,491)
Total comprehensive (loss)/income	-	(25,520)	-	706,915	-	681,395
<u>Transactions with owners</u>						
Transfer from regulatory reserve	-	-	8,359	(8,359)	-	-
Option charge arising from ESS granted	-	7,697	-	-	-	7,697
Total transactions with owners	-	7,697	8,359	(8,359)	-	7,697
At 30 September 2018	7,739,063	641,580	757,018	15,951,163	(732,267)	24,356,557

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM957,488,000 (30 September 2018: RM745,773,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (30 September 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 2019.

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

Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 30 September 2019

	Attributable to owners of the parent					
<u>The Bank</u>	Share Capital RM'000	Other Reserves RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2019	7,739,063	384,364	695,197	12,034,337	(727,817)	20,125,144
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	461,651	-	461,651
- Financial assets measured at fair value through other comprehensive income						
- Debt instruments						
- Net fair value changes	-	(1,029)	-	-	-	(1,029)
- Changes in expected credit losses	-	120	-	-	-	120
- Net fair value changes in cash flow hedge	-	(581)	-	-	-	(581)
- Currency translation differences	-	(6,150)	-	-	-	(6,150)
Total comprehensive (loss)/income	-	(7,640)	-	461,651	-	454,011
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	90,210	(90,210)	-	-
ESS exercised	-	(102)	-	572	540	1,010
Option charge arising from ESS granted	-	6,161	-	-	-	6,161
Total transactions with owners	-	6,059	90,210	(89,638)	540	7,171
At 30 September 2019	7,739,063	382,783	785,407	12,406,350	(727,277)	20,586,326
At 1 July 2018	7,739,063	406,668	637,098	11,212,525	(732,267)	19,263,087
Effect of adopting MFRS 9	-	(291,679)	(32,008)	106,054	-	(217,633)
As restated	7,739,063	114,989	605,090	11,318,579	(732,267)	19,045,454
<u>Comprehensive income</u>						
Net profit for the financial period	-	-	-	529,264	-	529,264
- Net fair value changes in financial investments at fair value through other comprehensive income	-	9,801	-	-	-	9,801
- Net fair value changes in cash flow hedge	-	(631)	-	-	-	(631)
- Currency translation differences	-	23,266	-	-	-	23,266
Total comprehensive income	-	32,436	-	529,264	-	561,700
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	10,722	(10,722)	-	-
Option charge arising from ESS granted	-	7,697	-	-	-	7,697
Total transactions with owners	-	7,697	10,722	(10,722)	-	7,697
At 30 September 2018	7,739,063	155,122	615,812	11,837,121	(732,267)	19,614,851

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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

Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 30 September 2019

	The Group		The Bank	
	Financial Period Ended 30/09/2019 RM'000	Financial Period Ended 30/09/2018 RM'000	Financial Period Ended 30/09/2019 RM'000	Financial Period Ended 30/09/2018 RM'000
Profit before taxation	846,553	851,135	595,335	646,893
Adjustments for non-cash items	<u>(403,497)</u>	<u>(286,966)</u>	<u>(325,051)</u>	<u>97,384</u>
Operating profit before working capital changes	443,056	564,169	270,284	744,277
Changes in working capital:				
Net changes in operating assets	1,688,044	(1,372,944)	2,293,792	(535,079)
Net changes in operating liabilities	(897,100)	4,454,820	(966,045)	3,872,325
Income taxes and zakat paid	<u>(122,890)</u>	<u>(152,907)</u>	<u>(92,917)</u>	<u>(130,917)</u>
Net cash generated from operating activities	<u>1,111,110</u>	<u>3,493,138</u>	<u>1,505,114</u>	<u>3,950,606</u>
Cash flows from investing activities				
Investment in subordinated facilities	-	-	(425)	(623)
Net proceeds of financial investments at fair value through other comprehensive income	2,549,174	-	2,257,179	-
Net purchases of financial investments at fair value through other comprehensive income	-	(1,165,043)	-	(1,113,882)
Net proceeds of financial investments at amortised cost	138,205	-	125,863	-
Net purchases of financial investments at amortised cost	-	(559,246)	-	(459,682)
Purchase of property and equipment	(30,659)	(39,757)	(24,687)	(37,468)
Net proceeds from sale of property and equipment	220	298	191	195
Purchase of intangible assets	(5,619)	(4,932)	(5,433)	(4,771)
- Financial assets at fair value through profit or loss	63,745	-	63,745	-
- Financial investments at fair value through other comprehensive income	203	203	203	203
Net cash generated from/(used in) investing activities	<u>2,715,269</u>	<u>(1,768,477)</u>	<u>2,416,636</u>	<u>(1,616,028)</u>
Cash flows from financing activities				
Cash received from ESOS exercised	1,010	-	1,010	-
Proceeds/(repayment) from debt issuance				
- Recourse obligation on financing sold to Cagamas	199,950	-	(200,050)	-
Repayment of Innovative Tier 1 capital securities	(500,000)	-	(500,000)	-
Interest paid:				
- Recourse obligation on loans/financing sold to Cagamas	(1,539)	(3,791)	(3,714)	(3,791)
- Tier 2 subordinated bonds	29	(65)	-	(54)
- Multi-currency Additional Tier 1 capital securities	(9,561)	(33)	(9,602)	(33)
- Innovative Tier 1 capital securities	<u>(21,071)</u>	<u>(20,550)</u>	<u>(21,071)</u>	<u>(20,550)</u>
Net cash used in financing activities	<u>(331,182)</u>	<u>(24,439)</u>	<u>(733,427)</u>	<u>(24,428)</u>

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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 30 September 2019

	The Group		The Bank	
	Financial Period Ended 30/09/2019 RM'000	Financial Period Ended 30/09/2018 RM'000	Financial Period Ended 30/09/2019 RM'000	Financial Period Ended 30/09/2018 RM'000
Net increase in cash and cash equivalents	3,495,197	1,700,222	3,188,323	2,310,150
Currency translation differences	7,269	31,795	(6,014)	20,402
Cash and cash equivalents at the beginning of financial period	4,523,737	3,963,309	4,258,769	3,282,694
Cash and cash equivalents at the end of financial period	<u>8,026,203</u>	<u>5,695,326</u>	<u>7,441,078</u>	<u>5,613,246</u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	7,489,530	6,442,301	6,532,803	6,123,297
Deposits and placements with banks and other financial institutions	1,311,136	3,721,098	1,266,675	3,742,346
Investment accounts due from designated financial institutions	-	-	400,040	-
	<u>8,800,666</u>	<u>10,163,399</u>	<u>8,199,518</u>	<u>9,865,643</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	(774,463)	(4,468,073)	(758,440)	(4,252,397)
	<u>8,026,203</u>	<u>5,695,326</u>	<u>7,441,078</u>	<u>5,613,246</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019.

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 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 2019. 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 2019.

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 2019, and modified for the adoption of the following accounting standards applicable for financial period beginning on or after 1 July 2019:

- (i) * MFRS 16 ‘Leases’
- * Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 ‘Business Combinations’
 - Amendments to MFRS 11 ‘Joint Arrangements’
 - Amendments to MFRS 112 ‘Income Taxes’
 - Amendments to MFRS 123 ‘Borrowing Costs’
- * Amendments to MFRS 9 ‘Prepayment features with negative compensation’
- * Amendments to MFRS 128 ‘Long-term Interests in Associates and Joint Ventures’
- * IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’

The adoption of the above new standards, annual improvements, amendments to published standards and interpretation are not expected to have significant impact on the financial results of the Group and the Bank other than the effects and change in accounting policy arising from the adoption of MFRS 16 as disclosed in Note A35.

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

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

A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2019

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2019.

A3 Seasonality or cyclicity of operations

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

A4 Exceptional items or unusual events affecting financial statements

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

A5 Variation from financial estimates reported in preceding financial period

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

A6 Issuance and repayment of debt and equity securities

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

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 30 September 2019 amounted to 81,101,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

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

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

During the financial period ended 30 September 2019, the trust did not purchase any new shares. As at 30 September 2019, the total number of Treasury Shares for ESS was 40,109,054 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.

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

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

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

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

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

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

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

During the financial period ended 30 September 2019, a total of 73,358 share options were exercised pursuant to the Bank's ESS.

c) Repayment of debt and equity securities

On 10 September 2019, the Bank had fully redeemed the RM500.0 million nominal value of Innovative Tier 1 Capital Securities bearing coupon rate of 8.25% per annum.

A7 Dividends paid

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

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

A8 Investment accounts due from designated financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Licensed banks	-	-	400,040	-

A9 Financial assets at fair value through profit or loss ("FVTPL")

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Government treasury bills	250,495	21,900	250,495	21,900
Malaysian Government securities	595,787	2,245,849	595,787	2,245,849
Malaysian Government investment certificates	437,227	1,824,682	437,227	1,309,387
Cagamas bonds	-	76,386	-	76,386
Khazanah bonds	-	136,726	-	136,726
Other Government securities	61,747	92,163	61,747	92,163
	<u>1,345,256</u>	<u>4,397,706</u>	<u>1,345,256</u>	<u>3,882,411</u>
Quoted securities:				
Wholesale fund/unit trust	7,720,679	7,066,213	7,720,679	7,066,213
Foreign currency bonds in Malaysia	95,261	60,375	95,261	60,375
Foreign currency bonds outside Malaysia	113,483	108,167	113,483	108,167
Unquoted securities:				
Malaysian Government sukuk	45,352	-	45,352	-
Corporate bonds and sukuk	233,296	162,134	233,296	162,134
Shares in Malaysia	305,572	305,572	305,572	305,572
Redeemable preference shares	25,066	30,866	25,066	30,866
Total financial assets at FVTPL	<u>9,883,965</u>	<u>12,131,033</u>	<u>9,883,965</u>	<u>11,615,738</u>

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>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
At fair value				
(a) Debt instruments	21,534,812	23,810,179	18,702,789	20,701,667
(b) Equity instruments	44,331	44,331	44,331	44,331
Total financial investments at FVOCI	<u>21,579,143</u>	<u>23,854,510</u>	<u>18,747,120</u>	<u>20,745,998</u>
(a) Debt instruments				
Money market instruments:				
Government treasury bills	423,642	-	423,642	-
Malaysian Government securities	1,419,948	1,420,656	1,419,948	1,420,656
Malaysian Government investment certificates	4,350,874	6,303,409	2,726,086	5,151,270
Negotiable instruments of deposit	1,094,863	1,197,900	1,295,811	899,135
Other Government securities	118,203	694,508	-	542,176
Cagamas bonds	1,304,892	1,311,562	903,483	1,045,677
Khazanah bonds	395,382	272,685	386,221	263,646
	<u>9,107,804</u>	<u>11,200,720</u>	<u>7,155,191</u>	<u>9,322,560</u>
Quoted securities:				
Foreign currency bonds in Malaysia	1,702,923	1,776,207	1,702,923	1,743,093
Foreign currency bonds outside Malaysia	1,737,197	1,638,380	1,737,197	1,638,380
Unquoted securities:				
Malaysian Government sukuk	351,420	350,898	184,756	183,458
Corporate bonds and sukuk	7,265,049	7,318,697	6,552,303	6,288,899
Foreign currency bonds in Malaysia	931,576	973,343	931,576	973,343
Foreign currency bonds outside Malaysia	438,843	551,934	438,843	551,934
	<u>21,534,812</u>	<u>23,810,179</u>	<u>18,702,789</u>	<u>20,701,667</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 30 September 2019	<u>RM'000</u>	<u>impaired</u>	<u>impaired</u>	
At 1 July	1,566	-	4,287	5,853
New financial assets originated or purchased	610	-	-	610
Financial assets derecognised	(564)	-	-	(564)
Changes due to change in credit risk	19	-	-	19
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	11	-	-	11
At 30 September	<u>1,622</u>	<u>-</u>	<u>4,287</u>	<u>5,909</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 Group 30 June 2019	<u>RM'000</u>	<u>impaired</u>	<u>impaired</u>	
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>

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: (continued)

	<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				
30 September 2019	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	1,454	-	4,287	5,741
New financial assets originated or purchased	595	-	-	595
Financial assets derecognised	(497)	-	-	(497)
Changes due to change in credit risk	31	-	-	31
Changes in models/risk parameters	(18)	-	-	(18)
Exchange differences	9	-	-	9
At 30 September	<u>1,574</u>	<u>-</u>	<u>4,287</u>	<u>5,861</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				
30 June 2019	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	-	-	-	-
Effect of adopting MFRS 9	2,385	-	4,453	6,838
At 1 July, as restated	<u>2,385</u>	<u>-</u>	<u>4,453</u>	<u>6,838</u>
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>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</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>44,331</u>	<u>44,331</u>	<u>44,331</u>

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

A11 Financial investments at amortised cost

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2019 RM'000	30/06/2019 RM'000	30/09/2019 RM'000	30/06/2019 RM'000
Money market instruments:				
Government treasury bills	54,373	53,820	54,373	53,820
Malaysian Government securities	142,360	102,105	142,360	102,105
Malaysian Government investment certificates	8,669,089	8,721,860	5,840,573	5,887,037
Khazanah bonds	307,183	304,266	270,383	267,837
Other Government securities	323,400	326,179	304,023	307,305
	<u>9,496,405</u>	<u>9,508,230</u>	<u>6,611,712</u>	<u>6,618,104</u>
Quoted securities:				
Foreign currency bonds in Malaysia	842,169	845,592	842,169	845,592
Foreign currency bonds outside Malaysia	143,196	151,587	143,196	151,587
Unquoted securities:				
Malaysian Government sukuk	2,635,440	2,657,094	1,680,664	1,694,196
Corporate bonds and sukuk	1,995,563	1,991,703	1,588,468	1,586,027
Less: Expected credit losses	(1,061)	(1,007)	(1,057)	(1,001)
Total financial investments at amortised cost	<u>15,111,712</u>	<u>15,153,199</u>	<u>10,865,152</u>	<u>10,894,505</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>	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
30 September 2019				
At 1 July	180	-	827	1,007
New financial assets originated or purchased	1	-	-	1
Changes due to change in credit risk	52	-	-	52
Exchange differences	1	-	-	1
At 30 September	<u>234</u>	<u>-</u>	<u>827</u>	<u>1,061</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
The Group				
30 June 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>

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

A11 Financial investments at amortised cost (continued)

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

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
The Bank				
30 September 2019	RM'000	RM'000	RM'000	RM'000
At 1 July	174	-	827	1,001
Changes due to change in credit risk	55	-	-	55
Exchange differences	1	-	-	1
At 30 September	230	-	827	1,057

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
The Bank				
30 June 2019	RM'000	RM'000	RM'000	RM'000
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	174	-	827	1,001

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

A12 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	3,701,665	3,863,555	2,997,921	3,119,277
Term loans/financing:				
- Housing and shop loans/financing	78,053,220	76,495,886	62,257,707	61,165,045
- Syndicated/term loans or financing	12,577,503	11,740,501	8,955,128	8,717,446
- Hire purchase receivables	17,463,954	17,634,182	13,768,436	14,015,409
- Other term loans/financing	7,896,352	7,984,748	4,898,197	5,154,293
Credit/charge card receivables	3,535,069	3,597,974	3,535,069	3,597,974
Bills receivable	1,045,139	1,061,015	909,449	926,496
Trust receipts	407,750	421,884	273,715	306,390
Claims on customers under acceptance credits	7,464,826	8,029,521	6,680,519	7,276,246
Revolving credit	6,067,052	6,227,550	5,023,243	5,161,648
Staff loans/financing	139,484	138,753	133,540	132,620
Other loans/financing	341,944	370,814	341,071	370,455
Gross loans, advances and financing	<u>138,693,958</u>	<u>137,566,383</u>	<u>109,773,995</u>	<u>109,943,299</u>
Fair value changes arising from fair value hedges	5,449	3,473	5,326	3,473
Allowance for impairment losses:				
- Expected credit losses	(1,233,241)	(1,261,639)	(947,029)	(1,011,802)
Total net loans, advances and financing	<u>137,466,166</u>	<u>136,308,217</u>	<u>108,832,292</u>	<u>108,934,970</u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM443,841,000 (2019: RM236,439,000) and Nil (2019: RM188,181,000) respectively.

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

A12 Loans, advances and financing (continued)

A12a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic non-bank financial institutions	947,067	953,920	851,566	853,670
Domestic business enterprises:				
- small and medium enterprises	21,759,282	21,504,122	17,328,485	17,282,182
- others	18,186,001	19,232,651	14,656,186	15,751,104
Government and statutory bodies	1,984	2,037	42	41
Individuals	94,922,049	93,385,273	74,701,150	73,812,923
Other domestic entities	827,922	418,282	389,678	374,831
Foreign entities	2,049,653	2,070,098	1,846,888	1,868,548
Gross loans, advances and financing	<u>138,693,958</u>	<u>137,566,383</u>	<u>109,773,995</u>	<u>109,943,299</u>

A12b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed rate:				
- Housing and shop loans/financing	1,599,767	1,641,101	1,060,428	1,081,501
- Hire purchase receivables	17,263,624	17,413,826	13,570,912	13,797,959
- Other fixed rate loans/financing	6,612,582	6,374,770	5,040,927	4,856,527
Variable rate:				
- Base rate/base lending rate plus	96,294,841	94,502,743	76,957,921	76,209,468
- Cost plus	16,234,138	17,017,202	13,143,807	13,997,844
- Other variables rates	689,006	616,741	-	-
Gross loans, advances and financing	<u>138,693,958</u>	<u>137,566,383</u>	<u>109,773,995</u>	<u>109,943,299</u>

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

A12 Loans, advances and financing (continued)

A12c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	854,630	808,590	553,706	553,613
Purchase of transport vehicles	17,307,042	17,489,088	13,565,998	13,829,965
Purchase of landed properties				
- residential	69,024,718	67,437,747	54,345,079	53,224,466
- non-residential	16,544,282	16,369,237	14,218,111	14,144,111
Purchase of fixed assets (excluding landed properties)	1,045,655	988,287	735,663	700,315
Personal use	3,525,785	3,389,881	2,139,032	2,065,876
Credit card	3,535,069	3,597,974	3,535,069	3,597,974
Construction	2,175,843	2,006,223	1,378,841	1,277,523
Mergers and acquisition	314,558	312,445	125,517	125,522
Working capital	22,945,219	23,791,965	18,297,392	19,545,202
Other purpose	1,421,157	1,374,946	879,587	878,732
Gross loans, advances and financing	<u>138,693,958</u>	<u>137,566,383</u>	<u>109,773,995</u>	<u>109,943,299</u>

A12d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	131,394,870	130,455,793	104,488,210	104,719,012
Singapore	5,285,785	5,224,287	5,285,785	5,224,287
Vietnam	689,006	616,741	-	-
Cambodia	1,324,297	1,269,562	-	-
Gross loans, advances and financing	<u>138,693,958</u>	<u>137,566,383</u>	<u>109,773,995</u>	<u>109,943,299</u>

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

A12 Loans, advances and financing (continued)

A12e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
Within one year	24,990,680	26,236,955	21,933,633	23,183,492
One year to less than three years	6,179,446	5,914,184	4,573,217	4,699,471
Three years to less than five years	9,762,595	9,612,277	7,266,543	7,243,460
Five years and more	97,761,237	95,802,967	76,000,602	74,816,876
Gross loans, advances and financing	<u>138,693,958</u>	<u>137,566,383</u>	<u>109,773,995</u>	<u>109,943,299</u>

A12f Movements in impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
At 1 July	1,071,111	1,125,502	887,864	906,233
Classified as impaired during the financial period/year	511,578	1,620,178	335,785	1,238,702
Reclassified as non-impaired during the financial period/year	(269,703)	(868,464)	(207,845)	(632,821)
Amount written back in respect of recoveries	(122,834)	(489,105)	(97,346)	(366,606)
Amount written off	(66,813)	(318,398)	(51,964)	(259,162)
Exchange difference	492	1,398	418	1,518
At 30 September	<u>1,123,831</u>	<u>1,071,111</u>	<u>866,912</u>	<u>887,864</u>
Gross impaired loans and financing as a % of gross loans, advances and financing	<u>0.8%</u>	<u>0.8%</u>	<u>0.8%</u>	<u>0.8%</u>

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

A12 Loans, advances and financing (continued)

A12g Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
Purchase of securities	234	51	218	5
Purchase of transport vehicles	116,143	122,105	84,662	90,856
Purchase of landed properties				
- residential	395,150	376,182	292,915	278,841
- non-residential	145,159	169,127	137,931	161,694
Purchase of fixed assets (excluding landed properties)	5,306	5,325	5,306	5,325
Personal use	45,262	44,470	23,925	23,321
Credit card	29,764	32,505	29,764	32,505
Construction	17,359	17,350	15,836	15,583
Working capital	306,521	298,966	270,963	274,704
Other purpose	62,933	5,030	5,392	5,030
Gross impaired loans, advances and financing	<u>1,123,831</u>	<u>1,071,111</u>	<u>866,912</u>	<u>887,864</u>

A12h Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
Malaysia	1,117,678	1,063,910	865,959	886,352
Singapore	953	1,512	953	1,512
Vietnam	1,627	1,621	-	-
Cambodia	3,573	4,068	-	-
Gross impaired loans, advances and financing	<u>1,123,831</u>	<u>1,071,111</u>	<u>866,912</u>	<u>887,864</u>

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

A12 Loans, advances and financing (continued)

A12i Movements in expected credit losses for loans, advances and financing are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
30 September 2019				
At 1 July	369,715	498,325	393,599	1,261,639
Changes in ECL due to transfer within stages	(55,230)	(27,887)	83,117	-
Transfer to Stage 1	4,969	(4,924)	(45)	-
Transfer to Stage 2	(60,194)	82,813	(22,619)	-
Transfer to Stage 3	(5)	(105,776)	105,781	-
New financial assets originated	15,567	843	241	16,651
Financial assets derecognised	(6,718)	(11,962)	(6,868)	(25,548)
Changes due to change in credit risk	9,641	20,341	18,686	48,668
Amount written off	-	-	(67,122)	(67,122)
Exchange difference	82	58	413	553
Other movements	-	-	(1,600)	(1,600)
At 30 September	333,057	479,718	420,466	1,233,241
	Stage 1	Stage 2	Stage 3	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
The Group				
30 June 2019				
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	(101,395)	(144,111)	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	(101)	(340,965)	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	33,367	193,217	42,342	268,926
Amount written off	-	-	(282,501)	(282,501)
Exchange difference	457	127	1,578	2,162
Other movements	-	-	(43,557)	(43,557)
At 30 June	369,715	498,325	393,599	1,261,639

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

A12 Loans, advances and financing (continued)

A12i Movements in expected credit losses for loans, advances and financing are as follows: (continued)

The Bank 30 September 2019	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	RM'000	RM'000	
At 1 July	311,663	386,656	313,483	1,011,802
Changes in ECL due to transfer within stages	(47,651)	(1,349)	49,000	-
Transfer to Stage 1	4,317	(4,276)	(41)	-
Transfer to Stage 2	(51,955)	68,011	(16,056)	-
Transfer to Stage 3	(13)	(65,084)	65,097	-
New financial assets originated	6,614	748	238	7,600
Financial assets derecognised	(2,000)	(8,128)	(2,956)	(13,084)
Changes due to change in credit risk	7,651	(4,887)	(9,139)	(6,375)
Amount written off	-	-	(52,008)	(52,008)
Exchange difference	(35)	59	419	443
Other movements	-	-	(1,349)	(1,349)
At 30 September	276,242	373,099	297,688	947,029

The Bank 30 June 2019	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	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	(83,815)	(119,839)	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	(57)	(272,847)	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	17,052	144,082	14,631	175,765
Amount written off	-	-	(227,057)	(227,057)
Exchange difference	302	120	1,588	2,010
Other movements	-	-	(38,367)	(38,367)
At 30 June	311,663	386,656	313,483	1,011,802

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

A13 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Foreclosed properties	21,629	21,839	10,884	10,849
Sundry debtors and other prepayments	205,789	371,710	230,710	351,193
Treasury related receivables	50,645	242,617	363	242,617
Cash collateral pledged for derivative transactions	387,289	301,552	387,289	301,552
Other receivables	173,265	259,263	147,415	240,071
	<u>838,617</u>	<u>1,196,981</u>	<u>776,661</u>	<u>1,146,282</u>

A14 Deposits from customers

A14a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Amortised cost				
Fixed deposits	90,438,799	91,064,010	69,029,769	70,785,542
Negotiable instruments of deposits	8,497,439	10,123,656	7,070,218	8,598,899
Short-term placements	20,705,902	17,161,123	17,740,823	14,131,227
	<u>119,642,140</u>	<u>118,348,789</u>	<u>93,840,810</u>	<u>93,515,668</u>
Demand deposits	23,989,103	24,018,791	21,073,837	20,722,461
Saving deposits	17,838,736	17,706,562	14,761,153	14,663,658
Others	860,345	891,350	690,069	736,729
	<u>162,330,324</u>	<u>160,965,492</u>	<u>130,365,869</u>	<u>129,638,516</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	1,246,785	2,159,671	1,246,785	1,812,544
Fair value changes arising from designation at fair value through profit or loss *	(33,763)	(54,869)	(33,763)	(54,535)
	<u>1,213,022</u>	<u>2,104,802</u>	<u>1,213,022</u>	<u>1,758,009</u>
	<u>163,543,346</u>	<u>163,070,294</u>	<u>131,578,891</u>	<u>131,396,525</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.

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

A14 Deposits from customers (continued)

A14b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2019 RM'000	30/06/2019 RM'000	30/09/2019 RM'000	30/06/2019 RM'000
Government and statutory bodies	6,177,029	7,415,514	2,727,090	4,246,520
Business enterprises	66,570,121	67,038,577	51,810,455	51,715,857
Individuals	86,874,836	85,518,130	74,533,215	73,129,569
Others	3,921,360	3,098,073	2,508,131	2,304,579
	<u>163,543,346</u>	<u>163,070,294</u>	<u>131,578,891</u>	<u>131,396,525</u>

A14c The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2019 RM'000	30/06/2019 RM'000	30/09/2019 RM'000	30/06/2019 RM'000
Due within:				
- six months	98,218,472	95,101,452	76,255,688	73,557,213
- six months to one year	20,118,883	21,763,420	16,684,608	18,818,766
- one year to five years	1,240,792	1,440,321	836,521	1,096,093
- more than five years	63,993	43,596	63,993	43,596
	<u>119,642,140</u>	<u>118,348,789</u>	<u>93,840,810</u>	<u>93,515,668</u>

A15 Investment accounts of customers

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2019 RM'000	30/06/2019 RM'000	30/09/2019 RM'000	30/06/2019 RM'000
Unrestricted investment accounts	4,825	2,235	-	-

A16 Deposits and placements of banks and other financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	30/09/2019 RM'000	30/06/2019 RM'000	30/09/2019 RM'000	30/06/2019 RM'000
Licensed banks	5,883,739	7,059,886	6,021,245	7,059,770
Licensed investment banks	-	95,023	-	95,023
Licensed Islamic banks	-	140,000	-	-
Central banks	73,640	12,222	-	-
Other financial institutions	5,225	51,293	-	50,141
	<u>5,962,604</u>	<u>7,358,424</u>	<u>6,021,245</u>	<u>7,204,934</u>
The maturity structure of deposits and placements of banks and other financial institutions:				
- One year or less (short-term)	<u>5,962,604</u>	<u>7,358,424</u>	<u>6,021,245</u>	<u>7,204,934</u>

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

A17 Other liabilities

	Note	<u>The Group</u>		<u>The Bank</u>	
		30/09/2019 RM'000	30/06/2019 RM'000	30/09/2019 RM'000	30/06/2019 RM'000
Zakat		437	350	-	-
Post employment benefits obligation					
- defined contribution plan		293	300	293	300
Loan advance payment		3,393,194	3,351,885	2,733,059	2,691,960
Interbranch clearing with subsidiary company		-	-	-	571,263
Amount due to subsidiary companies		-	-	70	29
Treasury and cheque clearing		412,416	452,626	397,876	66,405
Treasury related payables		161,577	149,347	161,577	149,347
Sundry creditors and accruals		121,470	175,507	88,788	140,623
Provision for bonus and staff related expenses		201,506	164,504	190,814	155,941
Expected credit losses on financial guarantee contracts	(a)	7,931	7,928	7,199	7,117
Provision for reinstatement cost		21,313	-	27,405	-
Others		529,174	579,298	504,639	507,091
		4,849,311	4,881,745	4,111,720	4,290,076

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u> RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
30 September 2019				
At 1 July	2,380	5,527	21	7,928
Changes in ECL due to transfer within stages	(43)	43	-	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(47)	47	-	-
New financial assets originated	151	1	-	152
Financial assets derecognised	(16)	(8)	-	(24)
Changes due to change in credit risk	(41)	(131)	5	(167)
Exchange difference	-	47	-	47
Other movements	-	-	(5)	(5)
At 30 September	2,431	5,479	21	7,931

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u> RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
30 June 2019				
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

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

A17 Other liabilities (continued)

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Bank				
30 September 2019				
At 1 July	1,574	5,521	22	7,117
Changes in ECL due to transfer within stages	(43)	43	-	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(47)	47	-	-
New financial assets originated	151	1	-	152
Financial assets derecognised	(15)	(8)	-	(23)
Changes due to change in credit risk	47	(140)	3	(90)
Exchange difference	-	47	-	47
Other movements	-	-	(4)	(4)
At 30 September	<u>1,714</u>	<u>5,464</u>	<u>21</u>	<u>7,199</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
The Bank				
30 June 2019				
At 1 July				-
Effect of adopting MFRS 9				<u>6,749</u>
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	<u>1,574</u>	<u>5,521</u>	<u>22</u>	<u>7,117</u>

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

A18 Tier 2 subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
RM1.5 billion Tier 2 subordinated notes, at par	(a)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		19,156	2,370	19,156	2,370
		<u>1,519,156</u>	<u>1,502,370</u>	<u>1,519,156</u>	<u>1,502,370</u>
Less: Unamortised discounts		(30)	(30)	(30)	(30)
		<u><u>1,519,126</u></u>	<u><u>1,502,340</u></u>	<u><u>1,519,126</u></u>	<u><u>1,502,340</u></u>

- (a) 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.

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

A19 Multi-currency Additional Tier 1 capital securities

	<u>The Group</u>		<u>The Bank</u>	
	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>30/09/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
RM800 million Multi-currency Additional Tier-1 capital securities at par	800,000	800,000	800,000	800,000
Add: Interest payable	7,023	6,661	7,023	6,661
	807,023	806,661	807,023	806,661
Less: Unamortised discounts	(444)	(476)	(444)	(476)
	<u>806,579</u>	<u>806,185</u>	<u>806,579</u>	<u>806,185</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)

A20 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>30/09/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>
RM500 million Innovative Tier 1 capital securities, at par	-	500,000
Add: Interest payable	-	12,658
	<u>-</u>	<u>512,658</u>
Less: Unamortised discounts	-	(502)
Fair value adjustments on completion of business combination accounting	-	112
	<u>-</u>	<u>512,268</u>
	<u><u>-</u></u>	<u><u>512,268</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.

On 10 September 2019, HLB had fully redeemed the RM500.0 million nominal value of IT-1 Capital Securities.

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

A21(a) Interest income

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loan, advances and financing	1,225,389	1,200,606	1,225,389	1,200,606
Money at call and deposit placements with financial institutions	47,798	60,256	47,798	60,256
Financial investments at FVOCI	170,722	199,149	170,722	199,149
Financial investments at amortised cost	96,771	110,910	96,771	110,910
Others	1,725	876	1,725	876
	<u>1,542,405</u>	<u>1,571,797</u>	<u>1,542,405</u>	<u>1,571,797</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>1,371</u>	<u>5,492</u>	<u>1,371</u>	<u>5,492</u>
	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loan, advances and financing	1,192,659	1,176,397	1,192,659	1,176,397
Money at call and deposit placements with financial institutions	46,815	60,900	46,815	60,900
Financial investments at FVOCI	170,888	198,392	170,888	198,392
Financial investments at amortised cost	96,565	109,740	96,565	109,740
Others	1,731	784	1,731	784
	<u>1,508,658</u>	<u>1,546,213</u>	<u>1,508,658</u>	<u>1,546,213</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>1,353</u>	<u>5,492</u>	<u>1,353</u>	<u>5,492</u>

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

A21(b) Interest income for financial assets at FVTPL

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets at FVTPL	69,653	95,553	69,653	95,553

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Financial assets at FVTPL	69,653	95,553	69,653	95,553

A22 Interest expense

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	42,184	67,867	42,184	67,867
Deposits from customers	722,735	745,314	722,735	745,314
Short-term placements	103,931	109,450	103,931	109,450
Tier 2 subordinated bonds	16,757	29,242	16,757	29,242
Multi-currency Additional Tier-1 capital securities	9,923	5,164	9,923	5,164
Innovative Tier 1 capital securities	8,413	10,152	8,413	10,152
Recourse obligation on loans sold to Cagamas	810	1,916	810	1,916
Others	2,993	-	2,993	-
	<u>907,746</u>	<u>969,105</u>	<u>907,746</u>	<u>969,105</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	42,769	71,640	42,769	71,640
Deposits from customers	710,160	734,111	710,160	734,111
Short-term placements	103,931	109,450	103,931	109,450
Tier 2 subordinated bonds	16,787	29,242	16,787	29,242
Multi-currency Additional Tier-1 capital securities	9,964	5,205	9,964	5,205
Innovative Tier 1 capital securities	8,413	10,152	8,413	10,152
Recourse obligation on loans sold to Cagamas	810	1,916	810	1,916
Others	5,077	-	5,077	-
	<u>897,911</u>	<u>961,716</u>	<u>897,911</u>	<u>961,716</u>

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

A23 Net income from Islamic Banking business

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Income derived from investment of depositors' funds and others	393,131	354,294	393,131	354,294
of which Finance income	383,109	348,500	383,109	348,500
of which other operating income	10,022	5,794	10,022	5,794
Income derived from investment of shareholders' funds	45,811	41,507	45,811	41,507
of which Finance income	33,314	30,303	33,314	30,303
of which other operating income	12,497	11,204	12,497	11,204
Income derived from investment of investment account	92	-	92	-
Income attributable to depositors	(239,177)	(224,725)	(239,177)	(224,725)
Income attributable to depositors on investment account	(66)	-	(66)	-
	199,791	171,076	199,791	171,076

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

A24 Other operating income

Group	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	46,084	45,711	46,084	45,711
Service charges and fees	9,898	10,689	9,898	10,689
Guarantee fees	3,655	3,114	3,655	3,114
Credit card related fees	52,769	55,155	52,769	55,155
Corporate advisory fees	94	55	94	55
Commitment fees	8,387	8,148	8,387	8,148
Fee on loans, advances and financing	12,538	9,125	12,538	9,125
Other fee income	33,058	5,677	33,058	5,677
	166,483	137,674	166,483	137,674
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	49,768	36,475	49,768	36,475
Net (loss)/gain from sale of derivative financial instruments	(5,058)	9,597	(5,058)	9,597
Net gain from sale of financial investments at FVOCI	89,268	14,095	89,268	14,095
	133,978	60,167	133,978	60,167
(c) <u>Gross dividend income from:</u>				
Financial assets at FVTPL	63,745	66,328	63,745	66,328
Financial investments at FVOCI	203	203	203	203
	63,948	66,531	63,948	66,531

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

A24 Other operating income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets at FVTPL	(18,798)	15,463	(18,798)	15,463
- Derivatives financial instruments	(53,180)	(14,604)	(53,180)	(14,604)
	<u>(71,978)</u>	<u>859</u>	<u>(71,978)</u>	<u>859</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(409)</u>	<u>(92)</u>	<u>(409)</u>	<u>(92)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(178)</u>	<u>(38)</u>	<u>(178)</u>	<u>(38)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	11,558	35,278	11,558	35,278
Rental income	3,468	2,494	3,468	2,494
Gain on disposal of property and equipment	176	177	176	177
Net gain on divestment of a joint venture	-	72,242	-	72,242
Other non-operating income	3,943	4,412	3,943	4,412
	<u>19,145</u>	<u>114,603</u>	<u>19,145</u>	<u>114,603</u>
Total other operating income	<u>310,989</u>	<u>379,704</u>	<u>310,989</u>	<u>379,704</u>

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

A24 Other operating income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	45,273	45,037	45,273	45,037
Service charges and fees	9,402	10,404	9,402	10,404
Guarantee fees	3,642	3,086	3,642	3,086
Credit card related fees	52,769	55,155	52,769	55,155
Corporate advisory fees	94	55	94	55
Commitment fees	8,147	7,935	8,147	7,935
Fee on loans, advances and financing	11,437	8,153	11,437	8,153
Other fee income	32,928	5,615	32,928	5,615
	<u>163,692</u>	<u>135,440</u>	<u>163,692</u>	<u>135,440</u>
(b) <u>Gain arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	49,768	36,475	49,768	36,475
Net (loss)/gain from sale of derivative financial instruments	(5,058)	9,597	(5,058)	9,597
Net gain from sale of financial investments at FVOCI	88,977	14,095	88,977	14,095
	<u>133,687</u>	<u>60,167</u>	<u>133,687</u>	<u>60,167</u>
(c) <u>Gross dividend income from:</u>				
Financial assets at FVTPL	63,745	66,328	63,745	66,328
Financial investments at FVOCI	203	203	203	203
	<u>63,948</u>	<u>66,531</u>	<u>63,948</u>	<u>66,531</u>

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

A24 Other operating income (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets at FVTPL	(18,798)	15,463	(18,798)	15,463
- Derivatives financial instruments	(53,180)	(14,604)	(53,180)	(14,604)
	<u>(71,978)</u>	<u>859</u>	<u>(71,978)</u>	<u>859</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(409)</u>	<u>(92)</u>	<u>(409)</u>	<u>(92)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(178)</u>	<u>(38)</u>	<u>(178)</u>	<u>(38)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	11,233	34,798	11,233	34,798
Rental income	2,078	1,562	2,078	1,562
Gain on disposal of property and equipment	176	177	176	177
Net gain on divestment of a joint venture	-	129,155	-	129,155
Other non-operating income	3,773	4,264	3,773	4,264
	<u>17,260</u>	<u>169,956</u>	<u>17,260</u>	<u>169,956</u>
Total other operating income	<u>306,022</u>	<u>432,823</u>	<u>306,022</u>	<u>432,823</u>

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

A25 Other operating expenses

<u>Group</u>	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	262,536	268,515	262,536	268,515
- Medical expenses	7,306	4,595	7,306	4,595
- Training and convention expenses	7,051	6,963	7,051	6,963
- Staff welfare	2,003	2,197	2,003	2,197
- Others	9,148	11,067	9,148	11,067
	<u>288,044</u>	<u>293,337</u>	<u>288,044</u>	<u>293,337</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,839	32,373	33,839	32,373
- Depreciation of right-of-use assets	13,516	-	13,516	-
- Amortisation of intangible assets	13,802	13,471	13,802	13,471
- Rental of premises	2,385	15,383	2,385	15,383
- Information technology expenses	40,128	40,616	40,128	40,616
- Security services	7,087	7,176	7,087	7,176
- Electricity, water and sewerage	6,268	6,085	6,268	6,085
- Hire of plant and machinery	3,465	3,044	3,465	3,044
- Others	6,569	10,099	6,569	10,099
	<u>127,059</u>	<u>128,247</u>	<u>127,059</u>	<u>128,247</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	6,353	5,199	6,353	5,199
- Sales commission and credit card related fees	31,436	31,810	31,436	31,810
- Others	5,358	4,568	5,358	4,568
	<u>43,147</u>	<u>41,577</u>	<u>43,147</u>	<u>41,577</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,044	3,954	5,044	3,954
- Stationery and printing expenses	2,790	3,545	2,790	3,545
- Professional fees	25,708	21,581	25,708	21,581
- Insurance fees	10,272	10,138	10,272	10,138
- Stamp, postage and courier	3,039	2,918	3,039	2,918
- Travelling and transport expenses	1,239	1,145	1,239	1,145
- Registration and license fees	2,101	2,246	2,101	2,246
- Brokerage and commission	2,367	1,868	2,367	1,868
- Credit card fees	11,526	10,517	11,526	10,517
- Others	(77)	4,089	(77)	4,089
	<u>64,009</u>	<u>62,001</u>	<u>64,009</u>	<u>62,001</u>
	<u>522,259</u>	<u>525,162</u>	<u>522,259</u>	<u>525,162</u>

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

A25 Other operating expenses (continued)

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	212,199	222,793	212,199	222,793
- Medical expenses	6,045	3,653	6,045	3,653
- Training and convention expenses	5,818	5,950	5,818	5,950
- Staff welfare	1,649	1,899	1,649	1,899
- Others	7,287	9,098	7,287	9,098
	<u>232,998</u>	<u>243,393</u>	<u>232,998</u>	<u>243,393</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	29,446	27,916	29,446	27,916
- Depreciation of right-of-use assets	19,308	-	19,308	-
- Amortisation of intangible assets	12,661	12,410	12,661	12,410
- Rental of premises	1,118	19,355	1,118	19,355
- Information technology expenses	35,834	37,355	35,834	37,355
- Security services	5,541	5,668	5,541	5,668
- Electricity, water and sewerage	5,068	5,064	5,068	5,064
- Hire of plant and machinery	1,418	2,883	1,418	2,883
- Others	1,517	4,771	1,517	4,771
	<u>111,911</u>	<u>115,422</u>	<u>111,911</u>	<u>115,422</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	5,863	3,904	5,863	3,904
- Sales commission and credit card related fees	27,284	31,810	27,284	31,810
- Others	4,138	3,633	4,138	3,633
	<u>37,285</u>	<u>39,347</u>	<u>37,285</u>	<u>39,347</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,942	3,881	4,942	3,881
- Stationery and printing expenses	2,638	3,331	2,638	3,331
- Professional fees	25,686	21,458	25,686	21,458
- Insurance fees	8,922	8,871	8,922	8,871
- Stamp, postage and courier	2,919	2,859	2,919	2,859
- Travelling and transport expenses	879	900	879	900
- Registration and license fees	1,843	2,005	1,843	2,005
- Brokerage and commission	1,151	1,040	1,151	1,040
- Credit card fees	11,526	10,517	11,526	10,517
- Others	2,308	4,300	2,308	4,300
	<u>62,814</u>	<u>59,162</u>	<u>62,814</u>	<u>59,162</u>
	<u>445,008</u>	<u>457,324</u>	<u>445,008</u>	<u>457,324</u>

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

A26 (Written back of)/allowance for impairment losses on loans, advances and financing

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
(Written back of)/allowance for impairment on loans, advances and financing:				
- expected credit losses	39,732	75,623	39,732	75,623
Impaired loans, advances and financing:				
- written off	4,499	4,430	4,499	4,430
- recovered from bad debt written off	(53,122)	(61,286)	(53,122)	(61,286)
	<u>(8,891)</u>	<u>18,767</u>	<u>(8,891)</u>	<u>18,767</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(Written back of)/allowance for impairment on loans, advances and financing:				
- expected credit losses	(11,820)	56,799	(11,820)	56,799
Impaired loans, advances and financing:				
- written off	3,307	3,770	3,307	3,770
- recovered from bad debt written off	(46,591)	(53,828)	(46,591)	(53,828)
	<u>(55,104)</u>	<u>6,741</u>	<u>(55,104)</u>	<u>6,741</u>

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

A27 Allowance for impairment losses on financial investments and other financial assets

Group	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	45	(306)	45	(306)
- Financial investments at amortised cost	53	250	53	250
- Other receivables	(13)	-	(13)	-
- Cash and short-term funds	(21)	802	(21)	802
- Deposits and placements with banks and other financial institutions	36	86	36	86
	<u>100</u>	<u>832</u>	<u>100</u>	<u>832</u>

Bank	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	111	(299)	111	(299)
- Financial investments at amortised cost	55	251	55	251
- Other receivables	(13)	-	(13)	-
- Cash and short-term funds	238	545	238	545
- Deposits and placements with banks and other financial institutions	792	1,418	792	1,418
	<u>1,183</u>	<u>1,915</u>	<u>1,183</u>	<u>1,915</u>

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

A28 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. The minimum capital adequacy including CCB for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

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

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

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

	The Group		The Bank	
	Financial Period Ended 30/09/2019	Financial Year Ended 30/06/2019	Financial Period Ended 30/09/2019	Financial Year Ended 30/06/2019
Before deducting proposed dividends				
CET I capital ratio	13.342%	13.627%	13.064%	13.266%
Tier I capital ratio	13.924%	14.585%	13.418%	14.074%
Total capital ratio	<u>16.159%</u>	<u>16.839%</u>	<u>15.528%</u>	<u>16.203%</u>
After deducting proposed dividends				
CET I capital ratio	12.836%	13.113%	12.447%	12.640%
Tier I capital ratio	13.418%	14.072%	12.801%	13.448%
Total capital ratio	<u>15.653%</u>	<u>16.326%</u>	<u>14.912%</u>	<u>15.577%</u>

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

A28 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 30/09/2019 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Period Ended 30/09/2019 RM'000	Financial Year Ended 30/06/2019 RM'000
CET I capital				
Share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	16,686,413	16,686,412	12,034,338	12,034,337
Other reserves	752,838	849,361	315,315	315,816
Less: Treasury shares	(727,277)	(727,817)	(727,277)	(727,817)
Less: Deferred tax assets	(28,239)	(16,030)	(8,230)	-
Less: Other intangible assets	(117,250)	(125,225)	(103,686)	(110,895)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/ associated companies	(4,131,905)	(4,106,375)	(2,727,357)	(2,726,932)
Total CET I capital	18,342,331	18,468,077	14,750,619	14,752,025
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	799,556	799,523	799,556	799,523
Innovative Tier I capital securities	-	499,498	-	499,498
Additional Tier I capital before regulatory adjustments	799,556	1,299,021	799,556	1,299,021
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	799,556	1,299,021	399,556	899,021
Total Tier I capital	19,141,887	19,767,098	15,150,175	15,651,046
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves [#]	1,572,531	1,554,893	1,282,715	1,267,205
Subordinated bonds	1,499,970	1,499,970	1,499,970	1,499,970
Less: Investment in Tier 2 Subordinated Sukuk Murabahah	-	-	(400,000)	(400,000)
Total Tier II capital	3,072,501	3,054,863	2,382,685	2,367,175
Total capital	22,214,388	22,821,961	17,532,860	18,018,221

[#] Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM957,488,000 (2019: RM847,070,000) and RM785,407,000 (2019: RM695,197,000) respectively.

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

A28 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 30/09/2019 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Period Ended 30/09/2019 RM'000	Financial Year Ended 30/06/2019 RM'000
Credit risk *	125,802,506	124,391,420	102,617,218	101,376,433
Market risk	3,071,685	2,558,573	3,088,444	2,595,185
Operational risk	8,601,971	8,577,308	7,207,447	7,233,933
Total RWA	137,476,162	135,527,301	112,913,109	111,205,551

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM 299,202,000 (2019: 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 Period Ended 30/09/2019	Financial Year Ended 30/06/2019
Before deducting proposed dividends		
CET I capital ratio	10.589%	10.529%
Tier I capital ratio	12.327%	12.258%
Total capital ratio	<u>15.247%</u>	<u>15.150%</u>
After deducting proposed dividends		
CET I capital ratio	10.589%	10.529%
Tier I capital ratio	12.327%	12.258%
Total capital ratio	<u>15.247%</u>	<u>15.150%</u>

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

A29 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 30/09/2019

	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	716,664	173,045	298,832	69,464	(36,877)	(6,036)	1,215,092
Inter-segment revenue	(81,762)	129,194	(126,573)	-	79,141	-	-
Segment revenue	<u>634,902</u>	<u>302,239</u>	<u>172,259</u>	<u>69,464</u>	<u>42,264</u>	<u>(6,036)</u>	<u>1,215,092</u>
Segment profit before taxation	344,926	175,374	144,113	12,937	32,910	(8,636)	701,624
Share of profit after tax of equity accounted associated companies				144,929			144,929
Profit before taxation							<u>846,553</u>
Taxation							(157,975)
Profit after taxation							<u><u>688,578</u></u>

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

A29 Group segmental reporting on revenue, profit and assets (continued)

Financial period ended 30/09/2019

	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	716,664	173,045	298,832	69,464	(36,877)	(6,036)	1,215,092
Inter-segment revenue	(81,762)	129,194	(126,573)	-	79,141	-	-
Segment revenue	<u>634,902</u>	<u>302,239</u>	<u>172,259</u>	<u>69,464</u>	<u>42,264</u>	<u>(6,036)</u>	<u>1,215,092</u>
Segment profit before taxation	344,926	175,374	144,113	12,937	32,910	(8,636)	701,624
Share of profit after tax of equity accounted associated companies				144,929			144,929
Profit before taxation							846,553
Taxation							(157,975)
Profit after taxation							<u>688,578</u>
Segment assets	97,872,038	32,605,877	51,765,541	14,062,997	-	-	196,306,453
Unallocated assets							10,467,926
Total assets							<u>206,774,379</u>

Corresponding quarter ended 30/09/2018

	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	651,147	181,257	325,571	59,784	96,160	(64,894)	1,249,025
Inter-segment revenue	(24,021)	110,251	(195,135)	-	108,905	-	-
Segment revenue	<u>627,126</u>	<u>291,508</u>	<u>130,436</u>	<u>59,784</u>	<u>205,065</u>	<u>(64,894)</u>	<u>1,249,025</u>
Segment profit before taxation	266,819	209,889	102,711	3,204	187,866	(66,225)	704,264
Share of profit after tax of equity accounted associated companies				146,871			146,871
Profit before taxation							851,135
Taxation							(144,220)
Profit after taxation							<u>706,915</u>

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

A29 Group segmental reporting on revenue, profit and assets (continued)

Corresponding financial period ended 30/09/2018

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

A30 Property and equipment

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

A31(a) Material events subsequent to the end of the reporting period

There are no material events subsequent to the end of the financial period ended 30 September 2019.

A31(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period ended 30 September 2019 and up to the date of this report except for the following:

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)

A32 Commitments and contingencies

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

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

	The Group		The Bank	
	30/09/2019 RM'000	30/06/2019 RM'000	30/09/2019 RM'000	30/06/2019 RM'000
Principal amount				
Direct credit substitutes	123,273	117,740	70,366	64,395
Certain transaction related contingent items	1,475,043	1,446,851	1,261,033	1,261,524
Short-term self liquidating trade related contingencies	676,665	674,511	647,472	638,625
Irrevocable commitments to extend credit:				
- maturity more than one year	17,663,293	17,720,606	12,860,719	12,749,585
- maturity less than one year	20,808,596	19,020,280	17,026,281	15,541,640
Foreign exchange related contracts:				
- less than one year	42,706,164	34,829,534	38,758,645	33,337,605
- one year to less than five years	4,979,422	3,995,994	4,979,423	3,995,994
- five years and above	367,285	301,327	367,285	301,327
Interest rate related contracts:				
- less than one year	20,591,767	38,511,811	20,992,957	38,511,811
- one year to less than five years	31,479,495	34,300,635	31,679,495	35,195,635
- five years and above	3,394,984	3,170,389	3,394,984	3,320,389
Equity related contracts:				
- less than one year	532,391	591,385	532,391	591,386
- one year to less than five years	119,766	127,853	119,766	127,852
Credit related contracts:				
- five years and above	117,810	82,753	117,810	82,753
Unutilised credit card lines	7,255,038	7,276,500	7,255,038	7,276,500
Total	152,290,992	162,168,169	140,063,665	152,997,021

A33 Related party transactions

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

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

A34 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.

Valuation techniques

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 and the Bank then determine fair value based upon valuation techniques such as discounted cash flow 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. These would include certain corporate bonds, government bonds and derivatives.

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. This category includes unquoted shares held for socio-economic reasons. Fair value for shares held for socio-economic reasons are based on the net tangible assets of the affected companies.

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

A34 Fair value of financial instruments (continued)

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

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

	The Group			
	Financial Period Ended 30/09/2019			
	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	-	1,345,256	-	1,345,256
- Quoted securities	7,929,423	-	-	7,929,423
- Unquoted securities	-	303,714	305,572	609,286
Financial investments at FVOCI				
- Money market instrument	-	9,107,804	-	9,107,804
- Quoted securities	3,440,120	-	-	3,440,120
- Unquoted securities	-	8,986,888	44,331	9,031,219
Derivative financial instruments	53	608,264	8,603	616,920
	<u>11,369,596</u>	<u>20,351,926</u>	<u>358,506</u>	<u>32,080,028</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	987	768,292	8,603	777,882
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,213,022	-	1,213,022
	<u>987</u>	<u>1,981,314</u>	<u>8,603</u>	<u>1,990,904</u>

	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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2019: RM Nil).

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

A34 Fair value of financial instruments (continued)

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

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

	The Bank			
	Financial Period Ended 30/09/2019			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Recurring fair value measurements				
Financial Assets				
Financial assets at FVTPL				
- Money market instrument	-	1,345,256	-	1,345,256
- Quoted securities	7,929,423	-	-	7,929,423
- Unquoted securities	-	303,714	305,572	609,286
Financial investments at FVOCI				
- Money market instrument	-	7,155,191	-	7,155,191
- Quoted securities	3,440,120	-	-	3,440,120
- Unquoted securities	-	8,107,478	44,331	8,151,809
Derivative financial instruments	53	597,454	8,603	606,110
	<u>11,369,596</u>	<u>17,509,093</u>	<u>358,506</u>	<u>29,237,195</u>
Financial Liabilities				
Derivative financial instruments	987	757,618	8,603	767,208
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,213,022	-	1,213,022
	<u>987</u>	<u>1,970,640</u>	<u>8,603</u>	<u>1,980,230</u>
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
Recurring fair value measurements				
Financial Assets				
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>
Financial Liabilities				
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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2019: RM Nil).

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

A34 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 30 September 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			
	At 1 July	305,572	44,331		
Fair value changes recognised in statements of income	-	-	(5,514)	(5,514)	
Purchases	-	-	(167)	(167)	
Settlements	-	-	6,472	6,472	
At 30 September	<u>305,572</u>	<u>44,331</u>	<u>8,603</u>	<u>8,603</u>	
Fair value changes recognised in statements of income relating to assets/liability held on 30 September 2019	<u>-</u>	<u>-</u>	<u>(5,514)</u>	<u>(5,514)</u>	

The Group 30 June 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	-	-		
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	<u>305,572</u>	<u>44,331</u>	<u>-</u>	<u>7,812</u>	<u>7,812</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	<u>15,092</u>	<u>-</u>	<u>-</u>	<u>(12,653)</u>	<u>(12,653)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	<u>-</u>	<u>10,854</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

A34 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: (continued)

The Bank 30 September 2019	Financial Assets			Derivative financial instruments RM'000	Financial Liability Derivative financial instruments RM'000
	Financial assets at FVTPL	Financial investments at FVOCI			
	RM'000	RM'000			
At 1 July	305,572	44,331	7,812	7,812	
Fair value changes recognised in statements of income	-	-	(5,514)	(5,514)	
Purchases	-	-	(167)	(167)	
Settlements	-	-	6,472	6,472	
At 30 September	<u>305,572</u>	<u>44,331</u>	<u>8,603</u>	<u>8,603</u>	
Fair value changes recognised in statements of income relating to assets/liability held on 30 September 2019	<u>-</u>	<u>-</u>	<u>(5,514)</u>	<u>(5,514)</u>	

The Bank 30 June 2019	Financial Assets			Derivative financial instruments RM'000	Financial Liability Derivative financial instruments RM'000
	Financial assets at FVTPL	Financial investments at FVOCI	Financial investments available-for-sale		
	RM'000	RM'000	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	<u>305,572</u>	<u>44,331</u>	<u>-</u>	<u>7,812</u>	<u>7,812</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	<u>15,092</u>	<u>-</u>	<u>-</u>	<u>(12,653)</u>	<u>(12,653)</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	<u>-</u>	<u>10,854</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

A35 Change in Accounting Policies

Effects of adoption of MFRS 16 Leases

MFRS 16 ‘Leases’ (effective from 1 January 2019) supersedes MFRS 117 ‘Leases’ and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” (“ROU”) of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in statements of income.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Bank have adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Group and the Bank have applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Bank’s borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group and the Bank was at 4.52% and 4.46% respectively per annum.

(i) The following table summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
The Group			
Right-of-use assets	-	309,219	309,219
Lease liabilities	-	285,782	285,782
Other liabilities - provision for reinstatement cost	-	23,437	23,437

	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
The Bank			
Right-of-use assets	-	487,342	487,342
Lease liabilities	-	459,572	459,572
Other liabilities - provision for reinstatement cost	-	27,770	27,770

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

A35 Change in Accounting Policies (continued)

Effects of adoption of MFRS 16 Leases (continued)

(ii) The following table analyses the impact of Capital Adequacy Ratios of the Group and the Bank:

	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
The Group			
CET I capital ratio	13.113%	-0.030%	13.084%
Tier I capital ratio	14.072%	-0.032%	14.040%
Total capital ratio	16.326%	-0.034%	16.292%
The Bank			
CET I capital ratio	12.640%	-0.055%	12.585%
Tier I capital ratio	13.448%	-0.059%	13.390%
Total capital ratio	15.577%	-0.063%	15.514%

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 RM846.6 million for the current financial quarter ended 30 September 2019, a decrease of RM4.6 million or 0.5% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to lower net income of RM33.9 million and lower share of profit from associated companies of RM1.9 million. However, this was mitigated by lower operating expenses of RM2.9 million and written back of impairment losses on loans, advances and financing of RM27.7 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 RM344.9 million for the first quarter ended 30 September 2019 as compared to previous corresponding quarter of RM266.8 million. The increase in pre-tax profit was mainly contributed by higher total income, lower operating expenses and lower allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM175.4 million for the first quarter ended 30 September 2019 as compared to previous corresponding quarter of RM209.9 million. The decrease in pre-tax profit was mainly contributed by higher allowance for impairment losses on loans, advances and financing, partially offset by higher total income and lower operating expenses.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM144.1 million for the first quarter ended 30 September 2019 as compared to previous corresponding quarter of RM102.7 million. The increase in pre-tax profit was mainly contributed by higher total income and lower allowance for impairment losses on financial investments and other financial assets, partially offset by higher operating expenses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM157.9 million for the first quarter ended 30 September 2019 as compared to previous corresponding quarter of RM150.1 million. The increase in pre-tax profit was mainly contributed by higher total income and lower allowance for impairment losses on loans, advances and financing, partially offset by higher operating expenses and lower share of profit from associated companies in China.

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

B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM846.6 million as compared to RM733.0 million in the preceding quarter, an increase of RM113.6 million mainly contributed by higher net income of RM47.3 million, lower operating expenses of RM7.8 million, written back of impairment losses on loans, advances and financing of RM55.9 million and higher share of profit from associated companies of RM3.2 million.

B3 Current year prospects

The Malaysian economy is expected to stay resilient going forward despite looming challenges stemming from external uncertainties surrounding US protectionism policy, geopolitical risks and financial market volatilities globally. Continued expansion in domestic demand, supported by accommodative monetary and fiscal policies, shall continue to keep growth in the Malaysian economy on a steady trajectory, while keeping inflation at a very benign level. Resilient domestic demand aside, potential gain from trade diversion arising from protracted US-China trade spat will also offer additional support to the domestic economy.

We remained focused in our strategic goal to be a highly digital and innovative ASEAN financial services institution. Our priorities are built around you, as we aim to provide seamless, relevant, personalised and fair banking experiences to customers while providing our people with the best opportunities to realise their full potential. We continue to explore new growth opportunities while revamping our cost structure through the digital transformation journey, enabling us to achieve sustainable growth and returns for our stakeholders.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	179,307	145,491	179,307	145,491
Transfer to deferred taxation	(21,332)	(1,271)	(21,332)	(1,271)
	<u>157,975</u>	<u>144,220</u>	<u>157,975</u>	<u>144,220</u>

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	147,645	118,394	147,645	118,394
Transfer to deferred taxation	(13,961)	(765)	(13,961)	(765)
	<u>133,684</u>	<u>117,629</u>	<u>133,684</u>	<u>117,629</u>

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

B6 Profit on sale of unquoted investments/properties

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

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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

B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 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	34,455,034	166,833	(105,941)
(ii) 1 year to 3 years	173,447	309	(87)
Swaps			
(i) Less than 1 year	6,976,699	34,424	(25,395)
(ii) 1 year to 3 years	3,445,711	21,652	(80,405)
(iii) More than 3 years	1,727,549	125,250	(3,805)
Options			
(i) Less than 1 year	1,274,431	8,737	(3,073)
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,656,572	53	(987)
Swaps			
(i) Less than 1 year	16,935,195	51,653	(81,916)
(ii) 1 year to 3 years	20,037,800	62,213	(157,539)
(iii) More than 3 years	14,836,679	134,766	(307,702)
Equity related contracts			
(i) Less than 1 year	532,391	4,370	(4,371)
(ii) 1 year to 3 years	119,766	4,233	(4,234)
Credit related contracts			
(i) More than 3 years	117,810	2,427	(2,427)
Total	104,289,084	616,920	(777,882)

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 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 contrats			
(i) 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 September 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	30,515,751	156,000	(94,305)
(ii) 1 year to 3 years	173,448	309	(89)
Swaps			
(i) Less than 1 year	6,968,463	34,424	(25,393)
(ii) 1 year to 3 years	3,445,711	21,652	(80,407)
(iii) More than 3 years	1,727,549	125,250	(3,806)
Options			
(i) Less than 1 year	1,274,431	8,736	(3,073)
Interest rate related contracts			
Futures			
(i) Less than 1 year	3,656,571	53	(987)
Swaps			
(i) Less than 1 year	17,336,386	52,320	(82,405)
(ii) 1 year to 3 years	20,237,800	62,504	(158,010)
(iii) More than 3 years	14,836,679	133,832	(307,703)
Equity related contracts			
(i) Less than 1 year	532,391	4,370	(4,369)
(ii) 1 year to 3 years	119,766	4,233	(4,234)
Credit related contracts			
(i) More than 3 years	117,810	2,427	(2,427)
Total	100,942,756	606,110	(767,208)

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			
(i) 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)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM83,841,000 (30 June 2019: RM41,912,000) and RM57,151,792,000 (30 June 2019: RM79,552,125,000) 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 RM656,632,000 (30 June 2019: RM580,235,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

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

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

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

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

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

B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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

B10 Material litigation

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

B11 Dividend

No interim dividend has been proposed for the current quarter.

B12 Earnings per share

(a) Basic earnings per share

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

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	688,578	706,915	688,578	706,915
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	(121,217)	(121,888)	(121,217)	(121,888)
	2,046,501	2,045,830	2,046,501	2,045,830
Basic earnings per share (sen)	33.6	34.6	33.6	34.6
<u>The Bank</u>				
Net profit attributable to equity holders	461,651	529,264	461,651	529,264
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	(121,217)	(121,888)	(121,217)	(121,888)
	2,046,501	2,045,830	2,046,501	2,045,830
Basic earnings per share (sen)	22.6	25.9	22.6	25.9

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.

	1st Quarter Ended		Cumulative Three Months Ended	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	688,578	706,915	688,578	706,915
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,046,501	2,045,830	2,046,501	2,045,830
- adjustment for ESS	1,810	6,443	1,810	6,443
	2,048,311	2,052,273	2,048,311	2,052,273
Fully diluted earnings per share (sen)	33.6	34.4	33.6	34.4
<u>The Bank</u>				
Net profit attributable to equity holders	461,651	529,264	461,651	529,264
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,046,501	2,045,830	2,046,501	2,045,830
- adjustment for ESS	1,810	6,443	1,810	6,443
	2,048,311	2,052,273	2,048,311	2,052,273
Fully diluted earnings per share (sen)	22.5	25.8	22.5	25.8