

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

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

		The Group		The Bank	
	Note	As at 31/12/2019 RM'000	As at 30/06/2019 RM'000	As at 31/12/2019 RM'000	As at 30/06/2019 RM'000
<u>ASSETS</u>					
Cash and short-term funds		8,767,439	4,855,456	8,110,218	4,383,074
Deposits and placements with banks and other financial institutions		1,135,128	1,291,416	1,273,609	1,465,940
Financial assets at fair value through profit or loss	A8	10,284,775	12,131,033	10,008,389	11,615,738
Financial investments at fair value through other comprehensive income	A9	23,504,572	23,854,510	20,450,127	20,745,998
Financial investments at amortised cost	A10	15,290,673	15,153,199	11,031,397	10,894,505
Loans, advances and financing	A11	140,063,294	136,308,217	110,205,433	108,934,970
Other assets	A12	998,235	1,196,981	933,239	1,146,282
Derivative financial instruments		612,844	528,256	558,546	522,995
Amount due from subsidiaries		-	-	102,178	13,095
Statutory deposits with Central Banks		4,079,382	4,588,833	3,112,245	3,564,423
Subsidiary companies		-	-	2,558,601	2,558,337
Investment in associated companies		4,305,580	4,106,375	971,182	971,182
Property and equipment		1,310,317	1,382,572	692,863	761,639
Intangible assets		163,681	125,225	145,167	110,895
Right-of-use assets		283,326	-	451,224	-
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		48,852	16,030	24,751	-
TOTAL ASSETS		212,679,410	207,369,415	172,400,716	169,460,620
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A13	166,998,151	163,070,294	134,766,137	131,396,525
Investment accounts of customers	A14	871,398	2,235	-	-
Deposits and placements of banks and other financial institutions	A15	5,578,816	7,358,424	5,651,064	7,204,934
Obligations on securities sold under repurchase agreements		3,204,136	2,333,916	3,204,136	2,333,916
Bills and acceptances payable		171,933	393,023	151,405	362,578
Lease liabilities		265,972	-	431,348	-
Other liabilities	A16	4,985,501	4,881,745	4,216,131	4,290,076
Derivative financial instruments		973,121	678,637	920,649	675,042
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")		1,056,352	253,591	300,595	202,954
Tier 2 subordinated bonds	A17	1,502,224	1,502,340	1,502,224	1,502,340
Multi-currency Additional Tier 1 capital securities	A18	806,254	806,185	806,254	806,185
Innovative Tier 1 capital securities	A19	-	512,268	-	512,268
Provision for taxation		211,148	95,864	139,730	42,152
Deferred tax liabilities		248	6,506	-	6,506
TOTAL LIABILITIES		186,625,254	181,895,028	152,089,673	149,335,476
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		19,042,370	18,463,141	13,299,257	13,113,898
Less: Treasury shares		(727,277)	(727,817)	(727,277)	(727,817)
TOTAL SHAREHOLDERS' EQUITY		26,054,156	25,474,387	20,311,043	20,125,144
TOTAL LIABILITIES AND EQUITY		212,679,410	207,369,415	172,400,716	169,460,620
<u>COMMITMENTS AND CONTINGENCIES</u>	A31	151,329,066	162,168,169	135,695,654	152,997,021

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

12.73 12.45 9.92 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 31 December 2019

	Note	The Group			
		Current Quarter Ended 31/12/2019 RM'000	Corresponding Quarter Ended 31/12/2018 RM'000	Current Period Ended 31/12/2019 RM'000	Corresponding Period Ended 31/12/2018 RM'000
Interest income	A20(a)	1,551,716	1,600,453	3,094,121	3,172,250
Interest income for financial assets at fair value through profit or loss	A20(b)	73,642	96,016	143,295	191,569
Interest expense	A21	(896,537)	(990,157)	(1,804,283)	(1,959,262)
Net interest income		728,821	706,312	1,433,133	1,404,557
Net income from Islamic Banking business	A22	206,394	172,744	406,185	343,820
Other operating income	A23	302,329	263,114	613,318	642,818
Net income		1,237,544	1,142,170	2,452,636	2,391,195
Other operating expenses	A24	(527,012)	(510,859)	(1,049,271)	(1,036,021)
Operating profit before allowances (Allowance for)/written back of impairment losses on loans, advances and financing	A25	710,532	631,311	1,403,365	1,355,174
(Allowance for)/written back of impairment losses on financial investments and other financial assets	A26	(19,396)	58,138	(10,505)	39,371
		(1,538)	141	(1,638)	(691)
		689,598	689,590	1,391,222	1,393,854
Share of profit after tax of equity accounted associated companies		167,370	133,611	312,299	280,482
Profit before taxation		856,968	823,201	1,703,521	1,674,336
Taxation	B5	(155,154)	(135,955)	(313,129)	(280,175)
Net profit for the financial period		701,814	687,246	1,390,392	1,394,161
Attributable to:					
Owners of the parent		701,814	687,246	1,390,392	1,394,161
Earnings per share - basic (sen)	B12(a)	34.3	33.6	67.9	68.1
Earnings per share - fully diluted (sen)	B12(b)	34.3	33.5	67.9	67.9

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

	The Group			
	Current Quarter Ended 31/12/2019 RM'000	Corresponding Quarter Ended 31/12/2018 RM'000	Current Period Ended 31/12/2019 RM'000	Corresponding Period Ended 31/12/2018 RM'000
Net profit for the financial period	<u>701,814</u>	<u>687,246</u>	<u>1,390,392</u>	<u>1,394,161</u>
Other comprehensive (loss)/income in respect of:				
Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive income/(loss) of associated company	3,299	-	(4,631)	(822)
(b) Currency translation differences	(21,672)	5,479	(125,606)	(40,012)
(c) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(13,185)	68,612	621	101,877
- Changes in expected credit losses	412	-	468	-
(d) Net fair value changes in cash flow hedge	562	(346)	(249)	(1,075)
Income tax relating to components of other comprehensive loss/(income)	<u>3,952</u>	<u>(12,374)</u>	<u>1,255</u>	<u>(24,117)</u>
Other comprehensive (loss)/income for the financial period, net of tax	<u>(26,632)</u>	<u>61,371</u>	<u>(128,142)</u>	<u>35,851</u>
Total comprehensive income for the financial period	<u><u>675,182</u></u>	<u><u>748,617</u></u>	<u><u>1,262,250</u></u>	<u><u>1,430,012</u></u>
Attributable to:				
- Owners of the parent	<u><u>675,182</u></u>	<u><u>748,617</u></u>	<u><u>1,262,250</u></u>	<u><u>1,430,012</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
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Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 December 2019

	Note	The Bank			
		Current Quarter Ended 31/12/2019 RM'000	Corresponding Quarter Ended 31/12/2018 RM'000	Current Period Ended 31/12/2019 RM'000	Corresponding Period Ended 31/12/2018 RM'000
Interest income	A20(a)	1,523,968	1,573,428	3,032,626	3,119,641
Interest income for financial assets at fair value through profit or loss	A20(b)	73,642	96,016	143,295	191,569
Interest expense	A21	(892,387)	(983,307)	(1,790,298)	(1,945,023)
Net interest income		705,223	686,137	1,385,623	1,366,187
Other operating income	A23	297,462	253,291	603,484	686,114
Net income		1,002,685	939,428	1,989,107	2,052,301
Other operating expenses	A24	(450,604)	(445,429)	(895,612)	(902,753)
Operating profit before allowances (Allowance for)/written back of impairment losses on loans, advances and financing	A25	552,081	493,999	1,093,495	1,149,548
(Allowance for)/written back of impairment losses on financial investments and other financial assets	A26	(5,754)	61,799	49,350	55,058
Profit before taxation		(1,526)	852	(2,709)	(1,063)
Taxation	B5	544,801	556,650	1,140,136	1,203,543
Net profit for the financial period		(119,508)	(109,479)	(253,192)	(227,108)
Attributable to:		425,293	447,171	886,944	976,435
Owners of the parent		425,293	447,171	886,944	976,435
Earnings per share - basic (sen)	B12(a)	20.8	21.9	43.3	47.7
Earnings per share - fully diluted (sen)	B12(b)	20.8	21.8	43.3	47.6

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

	The Bank			
	Current Quarter Ended 31/12/2019 RM'000	Corresponding Quarter Ended 31/12/2018 RM'000	Current Period Ended 31/12/2019 RM'000	Corresponding Period Ended 31/12/2018 RM'000
Net profit for the financial period	425,293	447,171	886,944	976,435
Other comprehensive (loss)/income in respect of:				
Items that may be reclassified subsequently to profit or loss:				
(a) Currency translation differences	(2,457)	(2,783)	(8,607)	20,483
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(12,834)	66,044	(14,407)	84,213
- Changes in expected credit losses	250	-	370	-
(c) Net fair value changes in cash flow hedge	563	(346)	(249)	(1,075)
Income tax relating to components of other comprehensive loss/(income)	3,554	(12,602)	4,329	(20,872)
Other comprehensive (loss)/income for the financial period, net of tax	(10,924)	50,313	(18,564)	82,749
Total comprehensive income for the financial period	414,369	497,484	868,380	1,059,184

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

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Condensed Financial Statements

Unaudited Statements of Changes in Equity For The Financial Period Ended 31 December 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	-	-	-	1,390,392	-	1,390,392
- Share of other comprehensive income of associated company	-	(4,631)	-	-	-	(4,631)
- Financial assets measured at fair value through other comprehensive income						
- Debt instruments						
- Net fair value changes	-	1,780	-	-	-	1,780
- Changes in expected credit losses	-	468	-	-	-	468
- Net fair value changes in cash flow hedge	-	(153)	-	-	-	(153)
- Currency translation differences	-	(125,606)	-	-	-	(125,606)
Total comprehensive (loss)/income	-	(128,142)	-	1,390,392	-	1,262,250
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	86,018	(86,018)	-	-
Dividends paid	-	-	-	(695,813)	-	(695,813)
ESS exercised	-	(102)	-	572	540	1,010
Option charge arising from ESS granted	-	12,322	-	-	-	12,322
Total transactions with owners	-	12,220	86,018	(781,259)	540	(682,481)
At 31 December 2019	7,739,063	802,492	944,333	17,295,545	(727,277)	26,054,156
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	-	-	-	1,394,161	-	1,394,161
- Share of other comprehensive loss of associated company	-	(822)	-	-	-	(822)
- Net fair value changes in financial investments at fair value through other comprehensive income	-	77,582	-	-	-	77,582
- Net fair value changes in cash flow hedge	-	(897)	-	-	-	(897)
- Currency translation differences	-	(40,012)	-	-	-	(40,012)
Total comprehensive income	-	35,851	-	1,394,161	-	1,430,012
<u>Transactions with owners</u>						
Transfer from regulatory reserve	-	-	87,723	(87,723)	-	-
Dividends paid	-	-	-	(654,666)	-	(654,666)
Option charge arising from ESS granted	-	16,057	-	-	-	16,057
Total transactions with owners	-	16,057	87,723	(742,389)	-	(638,609)
At 31 December 2018	7,739,063	711,311	836,382	15,904,379	(732,267)	24,458,868

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM933,088,000 (31 December 2018: RM825,137,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 December 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.

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

	Attributable to owners of the parent					
	Share Capital RM'000	Other Reserves RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
The Bank						
At 1 July 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	-	-	-	886,944	-	886,944
- Financial assets measured at fair value through other comprehensive income						
- Debt instruments						
- Net fair value changes	-	(10,174)	-	-	-	(10,174)
- Changes in expected credit losses	-	370	-	-	-	370
- Net fair value changes in cash flow hedge	-	(153)	-	-	-	(153)
- Currency translation differences	-	(8,607)	-	-	-	(8,607)
Total comprehensive (loss)/income	-	(18,564)	-	886,944	-	868,380
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	52,926	(52,926)	-	-
Dividends paid	-	-	-	(695,813)	-	(695,813)
ESS exercised	-	(102)	-	572	540	1,010
Option charge arising from ESS granted	-	12,322	-	-	-	12,322
Total transactions with owners	-	12,220	52,926	(748,167)	540	(682,481)
At 31 December 2019	7,739,063	378,020	748,123	12,173,114	(727,277)	20,311,043
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	-	-	-	976,435	-	976,435
- Net fair value changes in financial investments at fair value through other comprehensive income	-	63,163	-	-	-	63,163
- Net fair value changes in cash flow hedge	-	(897)	-	-	-	(897)
- Currency translation differences	-	20,483	-	-	-	20,483
Total comprehensive income	-	82,749	-	976,435	-	1,059,184
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	80,655	(80,655)	-	-
Dividends paid	-	-	-	(654,666)	-	(654,666)
Option charge arising from ESS granted	-	16,057	-	-	-	16,057
Total transactions with owners	-	16,057	80,655	(735,321)	-	(638,609)
At 31 December 2018	7,739,063	213,795	685,745	11,559,693	(732,267)	19,466,029

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

	The Group		The Bank	
	Financial Period Ended 31/12/2019 RM'000	Financial Period Ended 31/12/2018 RM'000	Financial Period Ended 31/12/2019 RM'000	Financial Period Ended 31/12/2018 RM'000
Profit before taxation	1,703,521	1,674,336	1,140,136	1,203,543
Adjustments for non-cash items	<u>(758,681)</u>	<u>(596,883)</u>	<u>(538,152)</u>	<u>121,334</u>
Operating profit before working capital changes	944,840	1,077,453	601,984	1,324,877
Changes in working capital:				
Net changes in operating assets	(1,517,824)	(3,074,837)	940,183	(1,468,567)
Net changes in operating liabilities	4,393,153	8,712,498	3,129,737	7,312,559
Income taxes and zakat paid	<u>(233,229)</u>	<u>(269,525)</u>	<u>(181,418)</u>	<u>(231,051)</u>
Net cash generated from operating activities	<u>3,586,940</u>	<u>6,445,589</u>	<u>4,490,486</u>	<u>6,937,818</u>
Cash flows from investing activities				
Investment in subordinated facilities	-	-	(255)	(861)
Net proceeds of financial investments at fair value through other comprehensive income	803,246	-	734,751	-
Net purchases of financial investments at fair value through other comprehensive income	-	(2,039,359)	-	(1,885,661)
Net proceeds of financial investments at amortised cost	56,986	-	57,164	-
Net purchases of financial investments at amortised cost	-	(997,807)	-	(992,426)
Purchase of property and equipment	(63,390)	(68,809)	(49,615)	(62,886)
Net proceeds from sale of property and equipment	384	544	344	426
Purchase of intangible assets	(34,306)	(6,209)	(30,733)	(5,927)
Dividends received from:				
- Associated companies	-	2,901	-	2,901
- Financial assets at fair value through profit or loss	125,203	143,264	125,203	143,264
- Financial investments at fair value through other comprehensive income	3,683	203	3,683	203
Net cash generated from/(used in) investing activities	<u>891,806</u>	<u>(2,965,272)</u>	<u>840,542</u>	<u>(2,800,967)</u>
Cash flows from financing activities				
Dividends paid	(695,813)	(654,666)	(695,813)	(654,666)
Cash received from ESOS exercised	1,010	-	1,010	-
Proceeds/(repayment) from debt issuance				
- Recourse obligation on financing sold to Cagamas	799,950	-	99,950	-
Repayment of Innovative Tier 1 capital securities	(500,000)	-	(500,000)	-
Interest paid:				
- Recourse obligation on loans/financing sold to Cagamas	(5,173)	(3,790)	(3,691)	(3,790)
- Tier 2 subordinated bonds	(33,660)	(58,416)	(33,689)	(58,521)
- Multi-currency Additional Tier 1 capital securities	(19,839)	(10,327)	(19,922)	(10,410)
- Innovative Tier 1 capital securities	(21,071)	(20,351)	(21,071)	(20,351)
Net cash used in financing activities	<u>(474,596)</u>	<u>(747,550)</u>	<u>(1,173,226)</u>	<u>(747,738)</u>

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

	The Group		The Bank	
	Financial Period Ended 31/12/2019 RM'000	Financial Period Ended 31/12/2018 RM'000	Financial Period Ended 31/12/2019 RM'000	Financial Period Ended 31/12/2018 RM'000
Net increase in cash and cash equivalents	4,004,150	2,732,767	4,157,802	3,389,113
Currency translation differences	(16,627)	42,063	(8,322)	18,560
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>8,511,260</u>	<u>6,738,139</u>	<u>8,408,249</u>	<u>6,690,367</u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	8,767,439	8,163,180	8,110,218	8,214,818
Deposits and placements with banks and other financial institutions	1,135,128	3,087,999	1,273,609	2,900,844
	<u>9,902,567</u>	<u>11,251,179</u>	<u>9,383,827</u>	<u>11,115,662</u>
Less:				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(1,391,307)	(4,513,040)	(975,578)	(4,425,295)
	<u>8,511,260</u>	<u>6,738,139</u>	<u>8,408,249</u>	<u>6,690,367</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 31 DECEMBER 2019**

A1 Basis of preparation

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

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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 cyclical nature of operations

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

A4 Exceptional items or unusual events affecting financial statements

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

A5 Variation from financial estimates reported in preceding financial period

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

A6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy-back and share cancellations, or resale of shares held as treasury shares during the financial period ended 31 December 2019:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 31 December 2019 amounted to 81,101,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

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

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

During the financial period ended 31 December 2019, the trust did not purchase any new shares. As at 31 December 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.

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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 31 December 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

A final single tier dividend of 34.0 sen per share in respect of financial year ended 30 June 2019 amounting to RM695.8 million was paid on 19 November 2019.

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

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2019 RM'000	30/06/2019 RM'000	31/12/2019 RM'000	30/06/2019 RM'000
Money market instruments:				
Bank Negara Malaysia bills	20,957	-	20,957	-
Government treasury bills	328,425	21,900	328,425	21,900
Malaysian Government securities	529,057	2,245,849	529,057	2,245,849
Malaysian Government investment certificates	1,091,513	1,824,682	815,126	1,309,387
Cagamas bonds	10,066	76,386	10,066	76,386
Khazanah bonds	-	136,726	-	136,726
Other Government securities	78,375	92,163	78,375	92,163
	<u>2,058,393</u>	<u>4,397,706</u>	<u>1,782,006</u>	<u>3,882,411</u>
Quoted securities:				
Wholesale fund/unit trust	7,721,288	7,066,213	7,721,289	7,066,213
Foreign currency bonds in Malaysia	20,312	60,375	20,312	60,375
Foreign currency bonds outside Malaysia	17,883	108,167	17,883	108,167
Unquoted securities:				
Malaysian Government sukuk	28,385	-	28,385	-
Corporate bonds and sukuk	107,942	162,134	107,942	162,134
Shares in Malaysia	305,572	305,572	305,572	305,572
Redeemable preference shares	25,000	30,866	25,000	30,866
Total financial assets at FVTPL	<u>10,284,775</u>	<u>12,131,033</u>	<u>10,008,389</u>	<u>11,615,738</u>

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A9 Financial investments at fair value through other comprehensive income ("FVOCI")

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/12/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
At fair value				
(a) Debt instruments	23,460,241	23,810,179	20,405,796	20,701,667
(b) Equity instruments	44,331	44,331	44,331	44,331
Total financial investments at FVOCI	<u>23,504,572</u>	<u>23,854,510</u>	<u>20,450,127</u>	<u>20,745,998</u>
(a) Debt instruments				
Money market instruments:				
Government treasury bills	606,358	-	606,358	-
Malaysian Government securities	1,127,035	1,420,656	1,127,035	1,420,656
Malaysian Government investment certificates	4,067,953	6,303,409	2,628,956	5,151,270
Negotiable instruments of deposit	2,820,640	1,197,900	2,921,680	899,135
Other Government securities	132,514	694,508	15,526	542,176
Cagamas bonds	1,726,370	1,311,562	1,006,271	1,045,677
Khazanah bonds	404,656	272,685	395,407	263,646
	<u>10,885,526</u>	<u>11,200,720</u>	<u>8,701,233</u>	<u>9,322,560</u>
Quoted securities:				
Foreign currency bonds in Malaysia	1,761,586	1,776,207	1,761,586	1,743,093
Foreign currency bonds outside Malaysia	1,770,470	1,638,380	1,770,470	1,638,380
Unquoted securities:				
Malaysian Government sukuk	842,782	350,898	674,642	183,458
Corporate bonds and sukuk	7,075,146	7,318,697	6,373,134	6,288,899
Foreign currency bonds in Malaysia	716,441	973,343	716,441	973,343
Foreign currency bonds outside Malaysia	408,290	551,934	408,290	551,934
	<u>23,460,241</u>	<u>23,810,179</u>	<u>20,405,796</u>	<u>20,701,667</u>

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A9 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				
31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 July	1,566	-	4,287	5,853
New financial assets originated or purchased	1,122	-	-	1,122
Financial assets derecognised	(591)	-	-	(591)
Changes due to change in credit risk	(33)	-	-	(33)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	(10)	-	-	(10)
At 31 December	<u>2,034</u>	<u>-</u>	<u>4,287</u>	<u>6,321</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	RM'000	RM'000	RM'000	RM'000
At 1 July	-	-	-	-
Effect of adopting MFRS 9	2,428	-	4,453	6,881
At 1 July, as restated	2,428	-	4,453	6,881
New financial assets originated or purchased	502	-	-	502
Financial assets derecognised	(1,007)	-	(166)	(1,173)
Changes due to change in credit risk	(401)	-	-	(401)
Exchange differences	44	-	-	44
At 30 June	<u>1,566</u>	<u>-</u>	<u>4,287</u>	<u>5,853</u>

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A9 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>
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
The Bank 31 December 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	932	-	-	932
Financial assets derecognised	(524)	-	-	(524)
Changes due to change in credit risk	(9)	-	-	(9)
Changes in models/risk parameters	(18)	-	-	(18)
Exchange differences	(11)	-	-	(11)
At 31 December	<u>1,824</u>	<u>-</u>	<u>4,287</u>	<u>6,111</u>

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</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>

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A10 Financial investments at amortised cost

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2019 RM'000	30/06/2019 RM'000	31/12/2019 RM'000	30/06/2019 RM'000
Money market instruments:				
Government treasury bills	52,965	53,820	52,965	53,820
Malaysian Government securities	143,714	102,105	143,714	102,105
Malaysian Government investment certificates	8,854,693	8,721,860	6,020,178	5,887,037
Khazanah bonds	310,128	304,266	272,953	267,837
Other Government securities	308,662	326,179	290,096	307,305
	<u>9,670,162</u>	<u>9,508,230</u>	<u>6,779,906</u>	<u>6,618,104</u>
Quoted securities:				
Foreign currency bonds in Malaysia	827,953	845,592	827,953	845,592
Foreign currency bonds outside Malaysia	144,215	151,587	144,215	151,587
Unquoted securities:				
Malaysian Government sukuk	2,658,494	2,657,094	1,694,983	1,694,196
Corporate bonds and sukuk	1,990,009	1,991,703	1,584,497	1,586,027
Less: Expected credit losses	(160)	(1,007)	(157)	(1,001)
Total financial investments at amortised cost	<u>15,290,673</u>	<u>15,153,199</u>	<u>11,031,397</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>	<u>Total ECL</u> <u>RM'000</u>
	<u>12 Months</u> <u>ECL</u> <u>RM'000</u>	<u>Lifetime ECL</u> <u>not credit</u> <u>impaired</u> <u>RM'000</u>	<u>Lifetime ECL</u> <u>credit</u> <u>impaired</u> <u>RM'000</u>	
The Group				
31 December 2019				
At 1 July	180	-	827	1,007
Changes due to change in credit risk	(18)	-	-	(18)
Amount written off	-	-	(827)	(827)
Exchange differences	(2)	-	-	(2)
At 31 December	<u>160</u>	<u>-</u>	<u>-</u>	<u>160</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>ECL</u> <u>RM'000</u>	<u>Lifetime ECL</u> <u>not credit</u> <u>impaired</u> <u>RM'000</u>	<u>Lifetime ECL</u> <u>credit</u> <u>impaired</u> <u>RM'000</u>	
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
Changes due to change in credit risk	-	-	-	-
Exchange differences	(1)	-	-	(1)
At 30 June	<u>180</u>	<u>-</u>	<u>827</u>	<u>1,007</u>

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A10 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				
31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 July	174	-	827	1,001
Changes due to change in credit risk	(14)	-	-	(14)
Amount written off	-	-	(827)	(827)
Exchange differences	(3)	-	-	(3)
At 31 December	157	-	-	157

	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

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	3,707,088	3,863,555	2,916,721	3,119,277
Term loans/financing:				
- Housing and shop loans/financing	79,696,550	76,495,886	63,382,765	61,165,045
- Syndicated/term loans or financing	13,024,658	11,740,501	9,180,730	8,717,446
- Hire purchase receivables	17,539,657	17,634,182	13,771,662	14,015,409
- Other term loans/financing	8,193,494	7,984,748	4,943,574	5,154,293
Credit/charge card receivables	3,596,414	3,597,974	3,596,414	3,597,974
Bills receivable	1,040,651	1,061,015	851,841	926,496
Trust receipts	367,590	421,884	272,711	306,390
Claims on customers under acceptance credits	7,275,501	8,029,521	6,469,251	7,276,246
Revolving credit	6,385,629	6,227,550	5,322,216	5,161,648
Staff loans/financing	137,016	138,753	131,485	132,620
Other loans/financing	309,081	370,814	308,717	370,455
Gross loans, advances and financing	<u>141,273,329</u>	<u>137,566,383</u>	<u>111,148,087</u>	<u>109,943,299</u>
Fair value changes arising from fair value hedges	5,438	3,473	5,375	3,473
Allowance for impairment losses:				
- Expected credit losses	(1,215,473)	(1,261,639)	(948,029)	(1,011,802)
Total net loans, advances and financing	<u>140,063,294</u>	<u>136,308,217</u>	<u>110,205,433</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 RM1,034,806,000 (2019: RM236,439,000) and RM299,562,000 (2019: RM188,181,000) respectively.

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A11 Loans, advances and financing (continued)

A11a By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</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	1,404,105	953,920	1,072,047	853,670
Domestic business enterprises:				
- small and medium enterprises	20,782,404	21,504,122	16,599,683	17,282,182
- others	19,574,654	19,232,651	15,446,692	15,751,104
Government and statutory bodies	1,929	2,037	43	41
Individuals	96,692,600	93,385,273	75,873,561	73,812,923
Other domestic entities	774,481	418,282	312,581	374,831
Foreign entities	2,043,156	2,070,098	1,843,480	1,868,548
Gross loans, advances and financing	<u>141,273,329</u>	<u>137,566,383</u>	<u>111,148,087</u>	<u>109,943,299</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</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	1,554,732	1,641,101	1,033,326	1,081,501
- Hire purchase receivables	17,355,829	17,413,826	13,590,826	13,797,959
- Other fixed rate loans/financing	6,734,831	6,374,770	4,981,735	4,856,527
Variable rate:				
- Base rate/base lending rate plus	98,128,526	94,502,743	78,055,639	76,209,468
- Cost plus	16,715,746	17,017,202	13,486,561	13,997,844
- Other variables rates	783,665	616,741	-	-
Gross loans, advances and financing	<u>141,273,329</u>	<u>137,566,383</u>	<u>111,148,087</u>	<u>109,943,299</u>

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A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</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	831,662	808,590	537,249	553,613
Purchase of transport vehicles	17,376,083	17,489,088	13,557,220	13,829,965
Purchase of landed properties				
- residential	70,646,831	67,437,747	55,455,850	53,224,466
- non-residential	16,678,402	16,369,237	14,225,801	14,144,111
Purchase of fixed assets (excluding landed properties)	1,018,893	988,287	673,618	700,315
Personal use	3,546,434	3,389,881	2,143,224	2,065,876
Credit card	3,596,414	3,597,974	3,596,414	3,597,974
Construction	2,361,815	2,006,223	1,489,353	1,277,523
Mergers and acquisition	166,140	312,445	-	125,522
Working capital	23,670,666	23,791,965	18,605,922	19,545,202
Other purpose	1,379,989	1,374,946	863,436	878,732
Gross loans, advances and financing	<u>141,273,329</u>	<u>137,566,383</u>	<u>111,148,087</u>	<u>109,943,299</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	133,524,929	130,455,793	105,666,980	104,719,012
Singapore	5,481,107	5,224,287	5,481,107	5,224,287
Vietnam	783,665	616,741	-	-
Cambodia	1,483,628	1,269,562	-	-
Gross loans, advances and financing	<u>141,273,329</u>	<u>137,566,383</u>	<u>111,148,087</u>	<u>109,943,299</u>

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A11 Loans, advances and financing (continued)

A11e By residual contractual maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/12/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
Within one year	25,130,823	26,236,955	21,933,325	23,183,492
One year to less than three years	5,673,959	5,914,184	4,422,927	4,699,471
Three years to less than five years	10,405,982	9,612,277	7,358,286	7,243,460
Five years and more	100,062,565	95,802,967	77,433,549	74,816,876
Gross loans, advances and financing	<u>141,273,329</u>	<u>137,566,383</u>	<u>111,148,087</u>	<u>109,943,299</u>

A11f Movements in impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/12/2019</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	1,106,221	1,620,178	758,504	1,238,702
Reclassified as non-impaired during the financial period/year	(598,665)	(868,464)	(411,490)	(632,821)
Amount written back in respect of recoveries	(239,869)	(489,105)	(193,994)	(366,606)
Amount written off	(158,407)	(318,398)	(106,091)	(259,162)
Exchange difference	(520)	1,398	(461)	1,518
At 31 December	<u>1,179,871</u>	<u>1,071,111</u>	<u>934,332</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>

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A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</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	323	51	287	5
Purchase of transport vehicles	110,706	122,105	81,725	90,856
Purchase of landed properties				
- residential	401,665	376,182	294,556	278,841
- non-residential	138,271	169,127	125,745	161,694
Purchase of fixed assets (excluding landed properties)	5,189	5,325	5,189	5,325
Personal use	120,950	44,470	99,271	23,321
Credit card	30,395	32,505	30,395	32,505
Construction	18,131	17,350	16,800	15,583
Working capital	290,753	298,966	274,512	274,704
Other purpose	63,488	5,030	5,852	5,030
Gross impaired loans, advances and financing	<u>1,179,871</u>	<u>1,071,111</u>	<u>934,332</u>	<u>887,864</u>

A11h Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,097,062	1,063,910	856,524	886,352
Singapore	77,808	1,512	77,808	1,512
Vietnam	1,549	1,621	-	-
Cambodia	3,452	4,068	-	-
Gross impaired loans, advances and financing	<u>1,179,871</u>	<u>1,071,111</u>	<u>934,332</u>	<u>887,864</u>

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A11 Loans, advances and financing (continued)

A11i 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 31 December 2019			
At 1 July	369,715	498,325	393,599	1,261,639
Changes in ECL due to transfer within stages	(69,302)	(75,327)	144,629	-
Transfer to Stage 1	9,185	(9,118)	(67)	-
Transfer to Stage 2	(78,470)	123,738	(45,268)	-
Transfer to Stage 3	(17)	(189,947)	189,964	-
New financial assets originated	29,105	1,783	934	31,822
Financial assets derecognised	(11,748)	(25,309)	(12,906)	(49,963)
Changes due to change in credit risk	15,976	80,156	38,637	134,769
Amount written off	-	-	(158,823)	(158,823)
Exchange difference	(138)	(74)	(500)	(712)
Other movements	-	-	(3,259)	(3,259)
At 31 December	333,608	479,554	402,311	1,215,473

	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 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

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A11 Loans, advances and financing (continued)

A11i Movements in expected credit losses for loans, advances and financing are as follows: (continued)

	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 Bank 31 December 2019			
At 1 July	311,663	386,656	313,483	1,011,802
Changes in ECL due to transfer within stages	(58,351)	(40,525)	98,876	-
Transfer to Stage 1	7,556	(7,497)	(59)	-
Transfer to Stage 2	(65,883)	98,015	(32,132)	-
Transfer to Stage 3	(24)	(131,043)	131,067	-
New financial assets originated	12,753	1,599	931	15,283
Financial assets derecognised	(3,108)	(15,642)	(6,349)	(25,099)
Changes due to change in credit risk	10,891	42,748	2,025	55,664
Amount written off	-	-	(106,158)	(106,158)
Exchange difference	(65)	(70)	(466)	(601)
Other movements	-	-	(2,862)	(2,862)
At 31 December	273,783	374,766	299,480	948,029

	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 Bank 30 June 2019			
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

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2019 RM'000	30/06/2019 RM'000	31/12/2019 RM'000	30/06/2019 RM'000
Foreclosed properties	18,321	21,839	10,919	10,849
Sundry debtors and other prepayments	349,918	371,710	331,631	351,193
Treasury related receivables	14,105	242,617	3,695	242,617
Cash collateral pledged for derivative transactions	326,698	301,552	326,698	301,552
Other receivables	289,193	259,263	260,296	240,071
	<u>998,235</u>	<u>1,196,981</u>	<u>933,239</u>	<u>1,146,282</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	31/12/2019 RM'000	30/06/2019 RM'000	31/12/2019 RM'000	30/06/2019 RM'000
Amortised cost				
Fixed deposits	97,574,526	91,064,010	76,244,263	70,785,542
Negotiable instruments of deposits	8,156,908	10,123,656	6,509,311	8,598,899
Short-term placements	16,048,435	17,161,123	13,438,645	14,131,227
	<u>121,779,869</u>	<u>118,348,789</u>	<u>96,192,219</u>	<u>93,515,668</u>
Demand deposits	25,178,444	24,018,791	21,940,792	20,722,461
Saving deposits	18,060,438	17,706,562	14,932,518	14,663,658
Others	807,316	891,350	622,253	736,729
	<u>165,826,067</u>	<u>160,965,492</u>	<u>133,687,782</u>	<u>129,638,516</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	1,228,093	2,159,671	1,127,561	1,812,544
Fair value changes arising from designation at fair value through profit or loss *	(56,009)	(54,869)	(49,206)	(54,535)
	<u>1,172,084</u>	<u>2,104,802</u>	<u>1,078,355</u>	<u>1,758,009</u>
	<u>166,998,151</u>	<u>163,070,294</u>	<u>134,766,137</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.

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A13 Deposits from customers (continued)

A13b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Government and statutory bodies	8,626,876	7,415,514	5,502,358	4,246,520
Business enterprises	64,811,482	67,038,577	49,863,938	51,715,857
Individuals	89,712,649	85,518,130	76,954,255	73,129,569
Others	3,847,144	3,098,073	2,445,586	2,304,579
	<u>166,998,151</u>	<u>163,070,294</u>	<u>134,766,137</u>	<u>131,396,525</u>

A13c The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Due within:				
- six months	101,324,460	95,101,452	79,965,170	73,557,213
- six months to one year	19,511,913	21,763,420	15,579,825	18,818,766
- one year to five years	845,817	1,440,321	549,545	1,096,093
- more than five years	97,679	43,596	97,679	43,596
	<u>121,779,869</u>	<u>118,348,789</u>	<u>96,192,219</u>	<u>93,515,668</u>

A14 Investment accounts of customers

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Unrestricted investment accounts	<u>871,398</u>	<u>2,235</u>	<u>-</u>	<u>-</u>

A15 Deposits and placements of banks and other financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u>	<u>30/06/2019</u>	<u>31/12/2019</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Licensed banks	5,305,692	7,059,886	5,550,741	7,059,770
Licensed investment banks	100,323	95,023	100,323	95,023
Licensed Islamic banks	-	140,000	-	-
Central banks	171,073	12,222	-	-
Other financial institutions	1,728	51,293	-	50,141
	<u>5,578,816</u>	<u>7,358,424</u>	<u>5,651,064</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>5,578,816</u>	<u>7,358,424</u>	<u>5,651,064</u>	<u>7,204,934</u>

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A16 Other liabilities

Note	<u>The Group</u>		<u>The Bank</u>	
	31/12/2019 RM'000	30/06/2019 RM'000	31/12/2019 RM'000	30/06/2019 RM'000
Zakat	525	350	-	-
Post employment benefits obligation - defined contribution plan	293	300	293	300
Loan advance payment	3,424,123	3,351,885	2,750,364	2,691,960
Interbranch clearing with subsidiary company	-	-	-	571,263
Amount due to subsidiary companies	-	-	275	29
Treasury and cheque clearing	351,576	452,626	351,291	66,405
Treasury related payables	149,720	149,347	149,720	149,347
Sundry creditors and accruals	131,940	175,507	96,399	140,623
Provision for bonus and staff related expenses	179,910	164,504	171,891	155,941
Expected credit losses on financial guarantee contracts	7,996	7,928	7,232	7,117
Provision for reinstatement cost	22,938	-	27,699	-
Others	716,480	579,298	660,967	507,091
	<u>4,985,501</u>	<u>4,881,745</u>	<u>4,216,131</u>	<u>4,290,076</u>

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

The Group 31 December 2019	<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	
At 1 July	2,380	5,527	21	7,928
Changes in ECL due to transfer within stages	(45)	39	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(49)	49	-	-
New financial assets originated	157	1	-	158
Financial assets derecognised	(19)	(18)	-	(37)
Changes due to change in credit risk	(186)	205	-	19
Exchange difference	(7)	(59)	-	(66)
Other movements	-	-	(6)	(6)
At 31 December	<u>2,280</u>	<u>5,695</u>	<u>21</u>	<u>7,996</u>

The Group 30 June 2019	<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	
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	<u>2,380</u>	<u>5,527</u>	<u>21</u>	<u>7,928</u>

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A16 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	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
The Bank				
31 December 2019	RM'000	RM'000	RM'000	RM'000
At 1 July	1,574	5,521	22	7,117
Changes in ECL due to transfer within stages	(44)	38	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(48)	48	-	-
New financial assets originated	155	1	-	156
Financial assets derecognised	(19)	(18)	-	(37)
Changes due to change in credit risk	(128)	195	-	67
Exchange difference	(6)	(59)	-	(65)
Other movements	-	-	(6)	(6)
At 31 December	<u>1,532</u>	<u>5,678</u>	<u>22</u>	<u>7,232</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
The Bank				
30 June 2019	RM'000	RM'000	RM'000	RM'000
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>

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A17 Tier 2 subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>31/12/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/12/2019</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		2,254	2,370	2,254	2,370
		<u>1,502,254</u>	<u>1,502,370</u>	<u>1,502,254</u>	<u>1,502,370</u>
Less: Unamortised discounts		(30)	(30)	(30)	(30)
		<u><u>1,502,224</u></u>	<u><u>1,502,340</u></u>	<u><u>1,502,224</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.

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A18 Multi-currency Additional Tier 1 capital securities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/12/2019</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/12/2019</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	6,666	6,661	6,666	6,661
	806,666	806,661	806,666	806,661
Less: Unamortised discounts	(412)	(476)	(412)	(476)
	<u>806,254</u>	<u>806,185</u>	<u>806,254</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.

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A19 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>31/12/2019</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.

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A20(a) Interest income

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loan, advances and financing	1,237,484	1,207,873	2,462,873	2,408,479
Money at call and deposit placements with financial institutions	52,683	55,164	100,481	115,420
Financial investments at FVOCI	163,017	218,471	333,739	417,620
Financial investments at amortised cost	97,671	115,952	194,442	226,862
Others	861	2,993	2,586	3,869
	<u>1,551,716</u>	<u>1,600,453</u>	<u>3,094,121</u>	<u>3,172,250</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>1,533</u>	<u>2,294</u>	<u>2,904</u>	<u>7,786</u>
	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loan, advances and financing	1,201,938	1,181,833	2,394,597	2,358,230
Money at call and deposit placements with financial institutions	60,033	54,711	106,848	115,611
Financial investments at FVOCI	163,743	219,152	334,631	417,544
Financial investments at amortised cost	97,477	114,739	194,042	224,479
Others	777	2,993	2,508	3,777
	<u>1,523,968</u>	<u>1,573,428</u>	<u>3,032,626</u>	<u>3,119,641</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>1,515</u>	<u>2,294</u>	<u>2,868</u>	<u>7,786</u>

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A20(b) Interest income for financial assets at FVTPL

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets at FVTPL	73,642	96,016	143,295	191,569

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Financial assets at FVTPL	73,642	96,016	143,295	191,569

A21 Interest expense

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	41,747	71,686	83,931	139,553
Deposits from customers	726,682	755,416	1,449,417	1,500,730
Short-term placements	97,955	116,552	201,886	226,002
Tier 2 subordinated bonds	16,787	29,225	33,544	58,467
Multi-currency Additional Tier-1 capital securities	9,921	5,163	19,844	10,327
Innovative Tier 1 capital securities	-	10,199	8,413	20,351
Recourse obligation on loans sold to Cagamas	572	1,916	1,382	3,832
Others	2,873	-	5,866	-
	<u>896,537</u>	<u>990,157</u>	<u>1,804,283</u>	<u>1,959,262</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	49,117	75,361	91,886	147,001
Deposits from customers	713,182	744,849	1,423,342	1,478,960
Short-term placements	97,955	116,552	201,886	226,002
Tier 2 subordinated bonds	16,787	29,225	33,574	58,467
Multi-currency Additional Tier-1 capital securities	9,963	5,205	19,927	10,410
Innovative Tier 1 capital securities	-	10,199	8,413	20,351
Recourse obligation on loans sold to Cagamas	572	1,916	1,382	3,832
Others	4,811	-	9,888	-
	<u>892,387</u>	<u>983,307</u>	<u>1,790,298</u>	<u>1,945,023</u>

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A22 Net income from Islamic Banking business

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Group				
Income derived from investment of depositors' funds and others	394,106	356,728	787,237	711,022
of which Finance income	388,010	356,167	771,119	704,667
of which other operating income	6,096	561	16,118	6,355
Income derived from investment of shareholders' funds	51,148	45,447	96,959	86,954
of which Finance income	33,741	30,972	67,055	61,275
of which other operating income	17,407	14,475	29,904	25,679
Income derived from investment of investment account	6,396	-	6,488	-
Income attributable to depositors	(239,254)	(229,431)	(478,431)	(454,156)
Income attributable to depositors on investment account	(6,002)	-	(6,068)	-
	206,394	172,744	406,185	343,820

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A23 Other operating income

Group	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
(a) Fee income:				
Commissions	40,990	42,161	87,074	87,872
Service charges and fees	13,283	16,057	23,181	26,746
Guarantee fees	3,491	4,931	7,146	8,045
Credit card related fees	58,090	67,104	110,859	122,259
Corporate advisory fees	47	1,114	141	1,169
Commitment fees	8,311	8,076	16,698	16,224
Fee on loans, advances and financing	10,628	10,119	23,166	19,244
Other fee income	13,320	7,602	46,378	13,279
	<u>148,160</u>	<u>157,164</u>	<u>314,643</u>	<u>294,838</u>
(b) Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets at FVTPL	7,049	6,795	56,817	43,270
Net loss from sale of derivative financial instruments	(35,416)	(120,188)	(40,474)	(110,591)
Net gain from sale of financial investments at FVOCI	29,690	9,626	118,958	23,721
	<u>1,323</u>	<u>(103,767)</u>	<u>135,301</u>	<u>(43,600)</u>
(c) Gross dividend income from:				
Financial assets at FVTPL	61,458	76,936	125,203	143,264
Financial investments at FVOCI	3,480	-	3,683	203
	<u>64,938</u>	<u>76,936</u>	<u>128,886</u>	<u>143,467</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets at FVTPL	735	920	(18,063)	16,383
- Derivatives financial instruments	58,337	64,468	5,157	49,864
	<u>59,072</u>	<u>65,388</u>	<u>(12,906)</u>	<u>66,247</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(470)</u>	<u>(89)</u>	<u>(879)</u>	<u>(181)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(12)</u>	<u>(10)</u>	<u>(190)</u>	<u>(48)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	21,706	42,441	33,264	77,719
Rental income	3,597	2,852	7,065	5,346
Gain on disposal of property and equipment	65	106	241	283
Net gain on divestment of a joint venture	-	17,864	-	90,106
Other non-operating income	3,950	4,229	7,893	8,641
	<u>29,318</u>	<u>67,492</u>	<u>48,463</u>	<u>182,095</u>
Total other operating income	<u>302,329</u>	<u>263,114</u>	<u>613,318</u>	<u>642,818</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	40,290	41,210	85,563	86,247
Service charges and fees	13,174	15,587	22,576	25,991
Guarantee fees	3,397	4,888	7,039	7,974
Credit card related fees	58,090	67,104	110,859	122,259
Corporate advisory fees	47	1,114	141	1,169
Commitment fees	8,066	7,834	16,213	15,769
Fee on loans, advances and financing	9,169	9,226	20,606	17,379
Other fee income	13,245	7,567	46,173	13,182
	<u>145,478</u>	<u>154,530</u>	<u>309,170</u>	<u>289,970</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	7,049	6,795	56,817	43,270
Net loss from sale of derivative financial instruments	(35,416)	(120,188)	(40,474)	(110,591)
Net gain from sale of financial investments at FVOCI	29,690	9,626	118,667	23,721
	<u>1,323</u>	<u>(103,767)</u>	<u>135,010</u>	<u>(43,600)</u>
(c) <u>Gross dividend income from:</u>				
Associated companies	-	3,976	-	3,976
Financial assets at FVTPL	61,458	76,936	125,203	143,264
Financial investments at FVOCI	3,480	-	3,683	203
	<u>64,938</u>	<u>80,912</u>	<u>128,886</u>	<u>147,443</u>

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A23 Other operating income (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
(d) <u>Net unrealised gain/(loss) on revaluation of:</u>				
- Financial assets at FVTPL	735	920	(18,063)	16,383
- Derivatives financial instruments	58,337	64,468	5,157	49,864
	<u>59,072</u>	<u>65,388</u>	<u>(12,906)</u>	<u>66,247</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(470)</u>	<u>(89)</u>	<u>(879)</u>	<u>(181)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(12)</u>	<u>(10)</u>	<u>(190)</u>	<u>(48)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	21,298	41,705	32,531	76,503
Rental income	1,965	1,616	4,043	3,178
Gain on disposal of property and equipment	65	106	241	283
Net gain on divestment of a joint venture	-	8,946	-	138,101
Other non-operating income	3,805	3,954	7,578	8,218
	<u>27,133</u>	<u>56,327</u>	<u>44,393</u>	<u>226,283</u>
Total other operating income	<u>297,462</u>	<u>253,291</u>	<u>603,484</u>	<u>686,114</u>

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A24 Other operating expenses

<u>Group</u>	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	265,074	250,668	527,610	519,183
- Medical expenses	8,943	8,114	16,249	12,709
- Training and convention expenses	5,432	5,678	12,483	12,641
- Staff welfare	2,105	2,160	4,108	4,357
- Others	8,747	11,952	17,895	23,019
	<u>290,301</u>	<u>278,572</u>	<u>578,345</u>	<u>571,909</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,291	32,985	67,130	65,358
- Depreciation of right-of-use assets	13,992	-	27,508	-
- Amortisation of intangible assets	15,341	13,519	29,143	26,990
- Rental of premises	634	14,665	3,019	30,048
- Information technology expenses	42,588	44,376	82,716	84,992
- Security services	7,202	6,644	14,289	13,820
- Electricity, water and sewerage	5,652	6,063	11,920	12,148
- Hire of plant and machinery	3,389	3,076	6,854	6,120
- Others	4,703	7,031	11,272	17,130
	<u>126,792</u>	<u>128,359</u>	<u>253,851</u>	<u>256,606</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	6,679	2,628	13,032	7,827
- Sales commission and credit card related fees	33,372	33,061	64,808	64,871
- Others	4,262	5,640	9,620	10,208
	<u>44,313</u>	<u>41,329</u>	<u>87,460</u>	<u>82,906</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,292	3,800	10,336	7,754
- Stationery and printing expenses	3,384	3,449	6,174	6,994
- Professional fees	23,683	22,010	49,391	43,591
- Insurance fees	11,020	11,200	21,292	21,338
- Stamp, postage and courier	3,326	3,143	6,365	6,061
- Travelling and transport expenses	1,103	1,113	2,342	2,258
- Registration and license fees	2,106	2,259	4,207	4,505
- Brokerage and commission	1,959	1,922	4,326	3,790
- Credit card fees	11,553	10,484	23,079	21,001
- Others	2,180	3,219	2,103	7,308
	<u>65,606</u>	<u>62,599</u>	<u>129,615</u>	<u>124,600</u>
	<u>527,012</u>	<u>510,859</u>	<u>1,049,271</u>	<u>1,036,021</u>

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A24 Other operating expenses (continued)

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	213,800	204,539	425,999	427,332
- Medical expenses	7,801	6,848	13,846	10,501
- Training and convention expenses	4,451	4,730	10,269	10,680
- Staff welfare	1,533	1,804	3,182	3,703
- Others	7,182	10,096	14,469	19,194
	<u>234,767</u>	<u>228,017</u>	<u>467,765</u>	<u>471,410</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	30,586	29,026	60,032	56,942
- Depreciation of right-of-use assets	19,321	-	38,629	-
- Amortisation of intangible assets	12,351	12,421	25,012	24,831
- Rental of premises	948	17,694	2,066	37,049
- Information technology expenses	38,891	40,652	74,725	78,007
- Security services	5,602	5,240	11,143	10,908
- Electricity, water and sewerage	4,706	5,077	9,774	10,141
- Hire of plant and machinery	1,345	2,936	2,763	5,819
- Others	(123)	3,766	1,394	8,537
	<u>113,627</u>	<u>116,812</u>	<u>225,538</u>	<u>232,234</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	5,604	2,545	11,467	6,449
- Sales commission and credit card related fees	30,202	33,061	57,486	64,871
- Others	3,228	4,195	7,366	7,828
	<u>39,034</u>	<u>39,801</u>	<u>76,319</u>	<u>79,148</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,169	3,689	10,111	7,570
- Stationery and printing expenses	3,247	3,293	5,885	6,624
- Professional fees	24,394	21,673	50,080	43,131
- Insurance fees	9,725	9,970	18,647	18,841
- Stamp, postage and courier	3,275	3,082	6,194	5,941
- Travelling and transport expenses	795	774	1,674	1,674
- Registration and license fees	1,849	2,006	3,692	4,011
- Brokerage and commission	846	995	1,997	2,035
- Credit card fees	11,553	10,484	23,079	21,001
- Others	2,323	4,833	4,631	9,133
	<u>63,176</u>	<u>60,799</u>	<u>125,990</u>	<u>119,961</u>
	<u>450,604</u>	<u>445,429</u>	<u>895,612</u>	<u>902,753</u>

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A25 Allowance for/(written back of) impairment losses on loans, advances and financing

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for/(written back of) impairment on loans, advances and financing:				
- expected credit losses	77,036	(1,740)	116,768	73,883
Impaired loans, advances and financing:				
- written off	5,305	4,661	9,804	9,091
- recovered from bad debt written off	(62,945)	(61,059)	(116,067)	(122,345)
	<u>19,396</u>	<u>(58,138)</u>	<u>10,505</u>	<u>(39,371)</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for/(written back of) impairment on loans, advances and financing:				
- expected credit losses	57,854	(10,852)	46,034	45,947
Impaired loans, advances and financing:				
- written off	3,640	4,055	6,947	7,825
- recovered from bad debt written off	(55,740)	(55,002)	(102,331)	(108,830)
	<u>5,754</u>	<u>(61,799)</u>	<u>(49,350)</u>	<u>(55,058)</u>

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A26 Allowance for/(written back of) impairment losses on financial investments and other financial assets

Group	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	433	480	478	174
- Financial investments at amortised cost	(71)	(65)	(18)	185
- Other receivables	-	(225)	(13)	(225)
- Cash and short-term funds	(22)	278	(43)	1,080
- Deposits and placements with banks and other financial institutions	1,198	(609)	1,234	(523)
	<u>1,538</u>	<u>(141)</u>	<u>1,638</u>	<u>691</u>

Bank	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	270	449	381	150
- Financial investments at amortised cost	(69)	(67)	(14)	184
- Other receivables	-	(225)	(13)	(225)
- Cash and short-term funds	398	(545)	636	-
- Deposits and placements with banks and other financial institutions	927	(464)	1,719	954
	<u>1,526</u>	<u>(852)</u>	<u>2,709</u>	<u>1,063</u>

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A27 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 31/12/2019	Financial Year Ended 30/06/2019	Financial Period Ended 31/12/2019	Financial Year Ended 30/06/2019
Before deducting proposed dividends				
CET I capital ratio	13.312%	13.627%	13.165%	13.266%
Tier I capital ratio	13.892%	14.585%	13.519%	14.074%
Total capital ratio	<u>16.131%</u>	<u>16.839%</u>	<u>15.640%</u>	<u>16.203%</u>
After deducting proposed dividends				
CET I capital ratio	13.075%	13.113%	12.874%	12.640%
Tier I capital ratio	13.655%	14.072%	13.229%	13.448%
Total capital ratio	<u>15.893%</u>	<u>16.326%</u>	<u>15.349%</u>	<u>15.577%</u>

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A27 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/12/2019 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Period Ended 31/12/2019 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	16,964,247	16,686,412	12,173,114	12,034,337
Other reserves	734,903	849,361	315,016	315,816
Less: Treasury shares	(727,277)	(727,817)	(727,277)	(727,817)
Less: Deferred tax assets	(48,852)	(16,030)	(24,751)	-
Less: Other intangible assets	(163,681)	(125,225)	(145,167)	(110,895)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/ associated companies	(4,305,580)	(4,106,375)	(2,727,186)	(2,726,932)
Total CET I capital	18,361,511	18,468,077	14,831,265	14,752,025
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	799,589	799,523	799,589	799,523
Innovative Tier I capital securities	-	499,498	-	499,498
Additional Tier I capital before regulatory adjustments	799,589	1,299,021	799,589	1,299,021
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	799,589	1,299,021	399,589	899,021
Total Tier I capital	19,161,100	19,767,098	15,230,854	15,651,046
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves [#]	1,587,646	1,554,893	1,288,856	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	3,087,616	3,054,863	2,388,826	2,367,175
Total capital	22,248,716	22,821,961	17,619,680	18,018,221

[#] Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM933,088,000 (2019: RM847,070,000) and RM748,123,000 (2019: RM695,197,000) respectively.

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A27 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/12/2019 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Period Ended 31/12/2019 RM'000	Financial Year Ended 30/06/2019 RM'000
Credit risk *	127,011,716	124,391,420	103,108,501	101,376,433
Market risk	2,312,082	2,558,573	2,385,745	2,595,185
Operational risk	8,605,602	8,577,308	7,166,180	7,233,933
Total RWA	137,929,400	135,527,301	112,660,426	111,205,551

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM 609,744,000 (2019: RM1,294,000) is excluded from the calculation of capital adequacy ratio of the Group.

The Bank and its Islamic subsidiary, HLISB's profit after tax for the half year ended 31 December 2019, had been subjected to a limited review by our external auditors. As such the Bank's and HLISB's profit after tax for the half year ended 31 December 2019 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios accordingly.

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

	Hong Leong Islamic Bank Berhad	
	Financial Period Ended 31/12/2019	Financial Year Ended 30/06/2019
Before deducting proposed dividends		
CET I capital ratio	11.016%	10.529%
Tier I capital ratio	12.729%	12.258%
Total capital ratio	15.616%	15.150%
After deducting proposed dividends		
CET I capital ratio	11.016%	10.529%
Tier I capital ratio	12.729%	12.258%
Total capital ratio	15.616%	15.150%

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A28 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 31/12/2019

	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	732,246	165,343	298,519	65,472	(17,835)	(6,201)	1,237,544
Inter-segment revenue	(69,884)	139,214	(144,551)	-	75,221	-	-
Segment revenue	<u>662,362</u>	<u>304,557</u>	<u>153,968</u>	<u>65,472</u>	<u>57,386</u>	<u>(6,201)</u>	<u>1,237,544</u>
Segment profit before taxation	308,862	207,695	125,701	3,662	51,770	(8,092)	689,598
Share of profit after tax of equity accounted associated companies				167,370			167,370
Profit before taxation							<u>856,968</u>
Taxation							(155,154)
Profit after taxation							<u><u>701,814</u></u>

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A28 Group segmental reporting on revenue, profit and assets (continued)

Financial period ended 31/12/2019

	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	1,448,910	338,388	597,351	134,936	(54,712)	(12,237)	2,452,636
Inter-segment revenue	(151,646)	268,408	(271,124)	-	154,362	-	-
Segment revenue	<u>1,297,264</u>	<u>606,796</u>	<u>326,227</u>	<u>134,936</u>	<u>99,650</u>	<u>(12,237)</u>	<u>2,452,636</u>
Segment profit before taxation	653,788	383,069	269,814	16,599	84,680	(16,728)	1,391,222
Share of profit after tax of equity accounted associated companies				312,299			312,299
Profit before taxation							<u>1,703,521</u>
Taxation							<u>(313,129)</u>
Profit after taxation							<u><u>1,390,392</u></u>
Segment assets	99,570,288	33,063,797	54,750,526	15,251,760	-	-	202,636,371
Unallocated assets							<u>10,043,039</u>
Total assets							<u><u>212,679,410</u></u>

Corresponding quarter ended 31/12/2018

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

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A28 Group segmental reporting on revenue, profit and assets (continued)

Corresponding financial period ended 31/12/2018

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	1,349,161	344,940	586,736	124,730	53,982	(68,354)	2,391,195
Inter-segment revenue	(83,636)	240,015	(379,058)	-	222,679	-	-
Segment revenue	<u>1,265,525</u>	<u>584,955</u>	<u>207,678</u>	<u>124,730</u>	<u>276,661</u>	<u>(68,354)</u>	<u>2,391,195</u>
Segment profit before taxation	569,812	435,923	155,670	14,937	289,773	(72,261)	1,393,854
Share of profit after tax of equity accounted associated companies				280,482			280,482
Profit before taxation							<u>1,674,336</u>
Taxation							(280,175)
Profit after taxation							<u>1,394,161</u>
Segment assets	93,279,797	30,786,301	62,465,742	15,243,806	-	-	201,775,646
Unallocated assets							10,227,335
Total assets							<u>212,002,981</u>

A29 Property and equipment

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

A30(a) Material events subsequent to the end of the reporting period

There are no material events subsequent to the end of the financial period ended 31 December 2019.

A30(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period ended 31 December 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.

On 18 February 2020, the Bank announced that the liquidator of Chew Geok Lin Finance Sdn Bhd and WTB Corporation Sdn Bhd (collectively referred to as "Companies"), wholly-owned subsidiaries of HLF Credit (Perak) Bhd which in turn is a wholly-owned subsidiary of the Bank, had convened the final meetings to conclude the member's voluntary winding-up of the Companies. The Returns by Liquidator Relating to Final Meeting of the Companies were lodged with the Companies Commission of Malaysia and the Official Receiver on 18 February 2020 ("Lodgement Date"), and on the expiration of 3 months after the Lodgement Date, the Companies will be dissolved.

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A31 Commitments and contingencies

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

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

	The Group		The Bank	
	31/12/2019 RM'000	30/06/2019 RM'000	31/12/2019 RM'000	30/06/2019 RM'000
Principal amount				
Direct credit substitutes	133,838	117,740	80,576	64,395
Certain transaction related contingent items	1,509,550	1,446,851	1,279,254	1,261,524
Short-term self liquidating trade related contingencies	711,676	674,511	633,788	638,625
Irrevocable commitments to extend credit:				
- maturity more than one year	17,821,489	17,720,606	12,986,620	12,749,585
- maturity less than one year	21,084,484	19,020,280	17,311,841	15,541,640
Foreign exchange related contracts:				
- less than one year	44,053,311	34,829,534	36,684,095	33,337,605
- one year to less than five years	3,987,786	3,995,994	3,987,786	3,995,994
- five years and above	276,513	301,327	276,513	301,327
Interest rate related contracts:				
- less than one year	19,621,726	38,511,811	20,026,488	38,511,811
- one year to less than five years	31,443,717	34,300,635	31,643,717	35,195,635
- five years and above	2,761,484	3,170,389	2,861,484	3,320,389
Equity related contracts:				
- less than one year	507,910	591,385	507,910	591,386
- one year to less than five years	82,638	127,853	82,638	127,852
Credit related contracts:				
- five years and above	173,730	82,753	173,730	82,753
Unutilised credit card lines	7,159,214	7,276,500	7,159,214	7,276,500
Total	151,329,066	162,168,169	135,695,654	152,997,021

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A32 Related party transactions

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

(a) Connected parties exposures

	The Group		The Bank	
	31/12/2019 RM'000	30/06/2019 RM'000	31/12/2019 RM'000	30/06/2019 RM'000
Aggregate value of outstanding credit exposures with connected parties	2,394,210	2,210,547	2,371,095	2,188,386
Outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	1.51%	1.43%	1.90%	1.78%
Outstanding credit exposures with connected parties which is non-performing or in default as a proportion of total credit exposures (%)	0.0002%	0.0002%	0.0002%	0.0003%

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A33 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.

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A33 Fair value of financial instruments (continued)

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

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

	The Group			
	Financial Period Ended 31/12/2019			
	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	-	2,058,393	-	2,058,393
- Quoted securities	7,759,483	-	-	7,759,483
- Unquoted securities	-	161,327	305,572	466,899
Financial investments at FVOCI				
- Money market instrument	-	10,885,526	-	10,885,526
- Quoted securities	3,532,056	-	-	3,532,056
- Unquoted securities	-	9,042,659	44,331	9,086,990
Derivative financial instruments	594	601,511	10,739	612,844
	<u>11,292,133</u>	<u>22,749,416</u>	<u>360,642</u>	<u>34,402,191</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,052	961,330	10,739	973,121
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,172,084	-	1,172,084
	<u>1,052</u>	<u>2,133,414</u>	<u>10,739</u>	<u>2,145,205</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).

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A33 Fair value of financial instruments (continued)

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

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

	The Bank			
	Financial Period Ended 31/12/2019			
	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	-	1,782,006	-	1,782,006
- Quoted securities	7,759,484	-	-	7,759,484
- Unquoted securities	-	161,327	305,572	466,899
Financial investments at FVOCI				
- Money market instrument	-	8,701,233	-	8,701,233
- Quoted securities	3,532,056	-	-	3,532,056
- Unquoted securities	-	8,172,507	44,331	8,216,838
Derivative financial instruments	594	547,213	10,739	558,546
	<u>11,292,134</u>	<u>19,364,286</u>	<u>360,642</u>	<u>31,017,062</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,052	908,858	10,739	920,649
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,078,355	-	1,078,355
	<u>1,052</u>	<u>1,987,213</u>	<u>10,739</u>	<u>1,999,004</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
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets at FVTPL				
- Money market instrument	-	3,882,411	-	3,882,411
- Quoted securities	7,234,755	-	-	7,234,755
- Unquoted securities	-	193,000	305,572	498,572
Financial investments at FVOCI				
- Money market instrument	-	9,322,560	-	9,322,560
- Quoted securities	3,381,473	-	-	3,381,473
- Unquoted securities	-	7,997,634	44,331	8,041,965
Derivative financial instruments	32	515,151	7,812	522,995
	<u>10,616,260</u>	<u>21,910,756</u>	<u>357,715</u>	<u>32,884,731</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	2,940	664,290	7,812	675,042
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,758,009	-	1,758,009
	<u>2,940</u>	<u>2,422,299</u>	<u>7,812</u>	<u>2,433,051</u>

The Bank 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).

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A33 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 31 December 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	-	-	3,384	3,384	
Purchases	-	-	886	886	
Settlements	-	-	(1,343)	(1,343)	
At 31 December	<u>305,572</u>	<u>44,331</u>	<u>10,739</u>	<u>10,739</u>	
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2019	-	-	3,384	3,384	

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	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

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A33 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 31 December 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		7,812	7,812
Fair value changes recognised in statements of income	-	-		3,384	3,384
Purchases	-	-		886	886
Settlements	-	-		(1,343)	(1,343)
At 31 December	<u>305,572</u>	<u>44,331</u>		<u>10,739</u>	<u>10,739</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 December 2019	-	-		3,384	3,384

The Bank 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	-	-	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	15,092	-	-	(12,653)	(12,653)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2019	-	10,854	-	-	-

A34 Liquidity risk

Please refer to Appendix A.

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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

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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%

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

B1 Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a pre-tax profit of RM857.0 million for the current financial quarter ended 31 December 2019, an increase of RM33.8 million or 4.1% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM95.4 million and higher share of profit from associated companies of RM33.8 million. However, this was mitigated by higher operating expenses of RM16.2 million, allowance for impairment losses on loans, advances and financing of RM77.5 million and allowance for impairment losses on financial investments and other financial assets of RM1.7 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 RM308.9 million for the second quarter ended 31 December 2019 as compared to previous corresponding quarter of RM303.0 million. The increase in pre-tax profit was mainly contributed by higher total income, partially offset by higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM207.7 million for the second quarter ended 31 December 2019 as compared to previous corresponding quarter of RM226.0 million. The decrease in pre-tax profit was mainly contributed by higher operating expenses and higher allowance for impairment losses on loans, advances and financing, partially offset by higher total income.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM125.7 million for the second quarter ended 31 December 2019 as compared to previous corresponding quarter of RM53.0 million. The increase in pre-tax profit was mainly contributed by higher total income, partially offset by higher operating expenses and and higher allowance for impairment losses on financial investments and other financial assets.

International Banking

The International Banking's segment recorded a pre-tax profit of RM171.0 million for the second quarter ended 31 December 2019 as compared to previous corresponding quarter of RM145.3 million. The increase in pre-tax profit was mainly contributed by higher total income and higher share of profit from associated companies in China, partially offset by by higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

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B1 Review of performance (continued)

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

The Group's pre-tax profit for the financial period ended 31 December 2019 stood at RM1,703.5 million, an increase of RM29.2 million or 1.7% as compared to RM1,674.3 million in the previous financial period. The increase was mainly due to higher net income of RM61.4 million and higher share of profit from associated companies of RM31.8 million. This was mitigated by higher operating expenses of RM13.2 million, allowance for impairment losses on loans, advances and financing of RM49.9 million and higher allowance for impairment losses on financial investments and other financial assets of RM0.9 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 RM653.8 million for the financial year ended 31 December 2019 as compared to previous corresponding period of RM569.8 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.

Personal Financial Services's loan base grew from RM93.0 billion as at 31 December 2018 to RM99.4 billion as at 31 December 2019. Deposit base increased from RM86.7 billion to RM92.0 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM383.1 million for the financial year ended 31 December 2019 as compared to previous corresponding period of RM435.9 million. The increase in pre-tax profit was mainly contributed by higher total income, partially offset by higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking's loan base increased from RM30.7 billion as at 31 December 2018 to RM33.0 billion as at 31 December 2019. Deposit base increased from RM36.2 billion to RM38.5 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM269.8 million for the financial year ended 31 December 2019 as compared to previous corresponding period of RM155.7 million. The increase in pre-tax profit was mainly contributed by higher total income, partially offset by higher operating expenses and higher allowance for impairment losses on financial investments and other financial assets.

Treasury earning assets reduced from RM61.5 billion as at 31 December 2018 to RM53.8 billion as at 31 December 2019.

International Banking

The International Banking's segment recorded a pre-tax profit of RM328.9 million for the financial year ended 31 December 2019 as compared to previous corresponding period of RM295.4 million. The increase in pre-tax profit was mainly contributed by higher total income and higher share of profit from associated companies in China, partially offset by higher operating expenses and lower allowance for impairment losses on loans, advances and financing.

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B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM857.0 million as compared to RM846.6 million in the preceding quarter, an increase of RM10.4 million mainly contributed by higher net income of RM22.5 million and higher share of profit from associated company of RM22.4 million. This was mitigated by higher operating expenses of RM4.8 million, allowance for impairment losses on loans, advances and financing of RM28.3 million and higher allowance for impairment losses on financial investments and other financial assets of RM1.4 million.

B3 Current year prospects

The Malaysian economy is projected to remain on a moderate growth path going forward as recovery in commodity prices is expected to help cushion the impact from lingering trade stand-off between the US and China even though risk of an escalation has reduced recently. Domestic demand, underpinned by a stable labour market and accommodative monetary and fiscal policies, will remain the key growth pillar, helping mitigate heightened geopolitical risks especially in the Middle-east.

In the journey to be a highly digital and innovative ASEAN financial services institution, we have built our priorities around customers, as we aim to provide seamless, relevant, personalised and fair banking experiences to clients while empowering our people with the best opportunities to realise their full potential. We continue to explore new growth opportunities while revamping our cost structure, enabling us to achieve sustainable growth, make meaningful contributions to the communities which we operate in and deliver superior returns to our shareholders.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	171,686	172,286	350,993	317,777
Transfer to deferred taxation	(16,532)	(36,331)	(37,864)	(37,602)
	<u>155,154</u>	<u>135,955</u>	<u>313,129</u>	<u>280,175</u>

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	132,474	133,928	280,119	252,322
Transfer to deferred taxation	(12,966)	(24,449)	(26,927)	(25,214)
	<u>119,508</u>	<u>109,479</u>	<u>253,192</u>	<u>227,108</u>

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B6 Profit on sale of unquoted investments/properties

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

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 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	38,595,869	181,796	(424,179)
(ii) 1 year to 3 years	200,082	-	(4,177)
(iii) More than 3 years	10,231	-	(221)
Swaps			
(i) Less than 1 year	4,501,370	58,346	(37,090)
(ii) 1 year to 3 years	2,490,080	27,816	(22,928)
(iii) More than 3 years	1,563,906	122,808	(10,115)
Options			
(i) Less than 1 year	956,072	6,842	(3,686)
Interest rate related contracts			
Futures			
(i) Less than 1 year	1,506,458	508	(1,052)
(ii) 1 year to 3 years	306,938	86	-
Swaps			
(i) Less than 1 year	18,115,268	34,602	(60,128)
(ii) 1 year to 3 years	20,936,638	60,320	(160,868)
(iii) More than 3 years	12,961,625	105,812	(234,943)
Equity related contracts			
(i) Less than 1 year	507,910	6,400	(6,201)
(ii) 1 year to 3 years	82,638	4,339	(4,540)
Credit related contracts			
(i) More than 3 years	173,730	3,169	(2,993)
Total	102,908,815	612,844	(973,121)

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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)

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 December 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	31,297,589	125,135	(375,227)
(ii) 1 year to 3 years	200,082	-	(4,179)
(iii) More than 3 years	10,231	-	(221)
Swaps			
(i) Less than 1 year	4,430,434	58,346	(37,088)
(ii) 1 year to 3 years	2,490,080	27,816	(22,930)
(iii) More than 3 years	1,563,906	122,810	(10,116)
Options			
(i) Less than 1 year	956,072	6,842	(3,686)
Interest rate related contracts			
Futures			
(i) Less than 1 year	1,506,457	508	(1,052)
(ii) 1 year to 3 years	306,938	86	-
Swaps			
(i) Less than 1 year	18,520,031	35,104	(60,485)
(ii) 1 year to 3 years	21,136,638	60,587	(161,285)
(iii) More than 3 years	13,061,625	107,404	(230,648)
Equity related contracts			
(i) Less than 1 year	507,910	6,400	(6,199)
(ii) 1 year to 3 years	82,638	4,339	(4,540)
Credit related contracts			
(i) More than 3 years	173,730	3,169	(2,993)
Total	96,244,361	558,546	(920,649)

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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)

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B9 Off-balance sheet financial instruments (continued)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM173,395,000 (30 June 2019: RM41,912,000) and RM55,926,927,000 (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 RM679,205,000 (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.

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B9 Off-balance sheet financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

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

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

Liquidity risk

Derivatives

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

Related accounting policies

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

Fair value hedge

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

Cash flow hedge

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

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B10 Material litigation

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

B11 Dividend

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

- (i) Amount per share: 16.0 sen.
- (ii) Previous corresponding quarter: single tier dividend of 16.0 sen per share.
- (iii) Entitlement date: 12 March 2020
- (iv) Payment date: 26 March 2020

B12 Earnings per share

(a) Basic earnings per share

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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	701,814	687,246	1,390,392	1,394,161
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	(121,214)	(121,888)	(121,214)	(121,888)
	2,046,504	2,045,830	2,046,504	2,045,830
Basic earnings per share (sen)	34.3	33.6	67.9	68.1
<u>The Bank</u>				
Net profit attributable to equity holders	425,293	447,171	886,944	976,435
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	(121,214)	(121,888)	(121,214)	(121,888)
	2,046,504	2,045,830	2,046,504	2,045,830
Basic earnings per share (sen)	20.8	21.9	43.3	47.7

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B12 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	2nd Quarter Ended		Cumulative Six Months Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	701,814	687,246	1,390,392	1,394,161
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,046,504	2,045,830	2,046,504	2,045,830
- adjustment for ESS	1,484	7,395	1,484	7,395
	<u>2,047,988</u>	<u>2,053,225</u>	<u>2,047,988</u>	<u>2,053,225</u>
Fully diluted earnings per share (sen)	34.3	33.5	67.9	67.9
<u>The Bank</u>				
Net profit attributable to equity holders	425,293	447,171	886,944	976,435
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,046,504	2,045,830	2,046,504	2,045,830
- adjustment for ESS	1,484	7,395	1,484	7,395
	<u>2,047,988</u>	<u>2,053,225</u>	<u>2,047,988</u>	<u>2,053,225</u>
Fully diluted earnings per share (sen)	20.8	21.8	43.3	47.6

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A34 Liquidity risk

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

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2019 based on the remaining contractual maturity:

	The Group							Total
	31 December 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Assets								
Cash and short-term funds	6,928,336	1,839,103	-	-	-	-	-	8,767,439
Deposits and placements with banks and other financial institutions	-	-	610,129	524,999	-	-	-	1,135,128
Financial assets at fair value through profit or loss	626	162,104	88,689	261,859	280,736	9,185,189	305,572	10,284,775
Financial investments at fair value through other comprehensive income	360,607	531,637	2,691,258	1,990,524	943,325	16,942,890	44,331	23,504,572
Financial investments at amortised cost	202,849	328	741	220,491	30,293	14,835,971	-	15,290,673
Loans, advances and financing	11,740,692	5,362,413	4,673,664	2,086,188	834,560	115,365,777	-	140,063,294
Other assets	535,192	4,832	7,302	7,194	3,950	6,038	433,727	998,235
Derivative financial instruments	49,287	64,290	62,268	47,759	64,890	324,350	-	612,844
Statutory deposits with Central Banks	-	-	-	-	-	-	4,079,382	4,079,382
Investment in associated companies	-	-	-	-	-	-	4,305,580	4,305,580
Property and equipment	-	-	-	-	-	-	1,310,317	1,310,317
Intangible assets	-	-	-	-	-	-	163,681	163,681
Right-of-use assets	-	-	-	-	-	-	283,326	283,326
Goodwill	-	-	-	-	-	-	1,831,312	1,831,312
Deferred tax assets	-	-	-	-	-	-	48,852	48,852
Total assets	19,817,589	7,964,707	8,134,051	5,139,014	2,157,754	156,660,215	12,806,080	212,679,410

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A34 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2019 based on the remaining contractual maturity: (continued)

	The Group							Total
	31 December 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	60,988,382	25,415,886	37,166,112	21,487,135	19,668,203	2,272,433	-	166,998,151
Investment accounts of customers	47	352	807,114	63,885	-	-	-	871,398
Deposits and placements of banks and other financial institutions	1,249,231	1,375,244	2,550,704	373,643	29,994	-	-	5,578,816
Obligations on securities sold under repurchase agreements	407,832	818,115	767,068	1,211,121	-	-	-	3,204,136
Bills and acceptances payable	147	3,319	19,223	16,445	-	-	132,799	171,933
Lease liabilities	-	-	-	-	-	-	265,972	265,972
Other liabilities	4,656,999	172,333	40,515	547	11,402	-	103,705	4,985,501
Derivative financial instruments	41,934	70,042	139,542	190,733	90,085	440,785	-	973,121
Recourse obligation on loans sold to Cagamas	-	-	5,739	1,030	-	1,049,583	-	1,056,352
Tier 2 subordinated bonds	-	-	-	2,254	-	1,499,970	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	4,866	1,799	-	799,589	-	806,254
Taxation	-	-	-	-	-	-	211,148	211,148
Deferred tax liabilities	-	-	-	-	-	-	248	248
Total liabilities	67,344,572	27,855,291	41,500,883	23,348,592	19,799,684	6,062,360	713,872	186,625,254
Total equity	-	-	-	-	-	-	26,054,156	26,054,156
Total liabilities and equity	67,344,572	27,855,291	41,500,883	23,348,592	19,799,684	6,062,360	26,768,028	212,679,410
Net liquidity gap	(47,526,983)	(19,890,584)	(33,366,832)	(18,209,578)	(17,641,930)	150,597,855	12,092,208	26,054,156

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A34 Liquidity risk (continued)

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

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

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A34 Liquidity risk (continued)

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

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

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A34 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2019 based on the remaining contractual maturity:

	The Bank							Total RM'000
	31 December 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
Assets								
Cash and short-term funds	6,498,077	1,612,141	-	-	-	-	-	8,110,218
Deposits and placements with banks and other financial institutions	-	-	748,610	524,999	-	-	-	1,273,609
Financial assets at fair value through profit or loss	626	162,104	88,689	261,859	280,736	8,908,803	305,572	10,008,389
Financial investments at fair value through other comprehensive income	560,507	730,901	2,281,706	1,990,524	867,456	13,974,702	44,331	20,450,127
Financial investments at amortised cost	202,849	328	741	220,491	21,281	10,585,707	-	11,031,397
Loans, advances and financing	10,201,063	4,734,460	4,252,428	1,735,242	606,124	88,676,116	-	110,205,433
Other assets	587,214	4,729	7,077	6,892	3,815	6,013	317,499	933,239
Derivative financial instruments	46,374	58,517	35,860	38,494	53,090	326,211	-	558,546
Amount due from subsidiaries	-	-	-	-	-	-	102,178	102,178
Statutory deposits with Central Banks	-	-	-	-	-	-	3,112,245	3,112,245
Subsidiary companies	-	-	-	-	-	-	2,558,601	2,558,601
Investment in associated companies	-	-	-	-	-	-	971,182	971,182
Property and equipment	-	-	-	-	-	-	692,863	692,863
Intangible assets	-	-	-	-	-	-	145,167	145,167
Right-of-use assets	-	-	-	-	-	-	451,224	451,224
Goodwill	-	-	-	-	-	-	1,771,547	1,771,547
Deferred tax assets	-	-	-	-	-	-	24,751	24,751
Total assets	18,096,710	7,303,180	7,415,111	4,778,501	1,832,502	122,477,552	10,497,160	172,400,716

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A34 Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (including non-financial instruments) as at 31 December 2019 based on the remaining contractual maturity: (continued)

	The Bank							Total RM'000
	31 December 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
Liabilities								
Deposits from customers	49,408,268	21,838,385	27,674,783	18,094,243	15,649,319	2,101,139	-	134,766,137
Deposits and placements of banks and other financial institutions	2,285,449	1,089,335	2,228,324	38,062	9,894	-	-	5,651,064
Obligations on securities sold under repurchase agreements	407,832	818,115	767,068	1,211,121	-	-	-	3,204,136
Bills and acceptances payable	135	2,913	17,326	13,699	-	-	117,332	151,405
Lease liabilities	-	-	-	-	-	-	431,348	431,348
Other liabilities	3,933,696	172,312	40,427	485	2,022	-	67,189	4,216,131
Derivative financial instruments	30,129	62,763	118,841	182,227	89,777	436,912	-	920,649
Recourse obligation on loans sold to Cagamas	-	-	-	572	-	300,023	-	300,595
Tier 2 subordinated bonds	-	-	-	2,254	-	1,499,970	-	1,502,224
Multi-currency Additional Tier 1 Capital Securities	-	-	4,866	1,799	-	799,589	-	806,254
Taxation	-	-	-	-	-	-	139,730	139,730
Total liabilities	56,065,509	23,983,823	30,851,635	19,544,462	15,751,012	5,137,633	755,599	152,089,673
Total equity	-	-	-	-	-	-	20,311,043	20,311,043
Total liabilities and equity	56,065,509	23,983,823	30,851,635	19,544,462	15,751,012	5,137,633	21,066,642	172,400,716
Net liquidity gap	(37,968,799)	(16,680,643)	(23,436,524)	(14,765,961)	(13,918,510)	117,339,919	9,741,561	20,311,043

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A34 Liquidity risk (continued)

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

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

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A34 Liquidity risk (continued)

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

	The Bank							Total
	30 June 2019							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	RM'000
Liabilities								
Deposits from customers	48,549,789	22,288,137	23,539,897	14,856,490	18,933,045	3,229,167	-	131,396,525
Deposits and placements of banks and other financial institutions	2,724,471	1,115,297	3,255,858	67,671	41,637	-	-	7,204,934
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	222	44,933	121,287	27,757	11	-	168,368	362,578
Other liabilities	4,054,048	768	462	388	184,733	-	49,677	4,290,076
Derivative financial instruments	26,352	24,611	44,739	33,749	56,432	489,159	-	675,042
Recourse obligation on loans sold to Cagamas	-	-	202,954	-	-	-	-	202,954
Tier 2 subordinated bonds	-	-	-	2,370	-	1,499,970	-	1,502,340
Multi-currency Additional Tier 1 Capital Securities	-	-	4,863	1,799	-	799,523	-	806,185
Innovative Tier 1 capital securities	-	-	512,268	-	-	-	-	512,268
Taxation	-	-	-	-	-	-	42,152	42,152
Deferred tax liabilities	-	-	-	-	-	-	6,506	6,506
Total liabilities	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	266,703	149,335,476
Total equity	-	-	-	-	-	-	20,125,144	20,125,144
Total liabilities and equity	55,643,103	23,653,018	29,548,751	14,990,224	19,215,858	6,017,819	20,391,847	169,460,620
Net liquidity gap	(40,469,990)	(17,478,860)	(22,223,271)	(12,489,448)	(17,162,851)	119,793,057	10,156,507	20,125,144