

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 March 2020

		The Group		The Bank	
	Note	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
<u>ASSETS</u>					
Cash and short-term funds		5,678,964	4,855,456	5,072,330	4,383,074
Deposits and placements with banks and other financial institutions		1,131,830	1,291,416	1,787,288	1,465,940
Financial assets at fair value through profit or loss	A8	9,905,872	12,131,033	9,709,629	11,615,738
Financial investments at fair value through other comprehensive income	A9	28,787,738	23,854,510	24,874,876	20,745,998
Financial investments at amortised cost	A10	17,450,572	15,153,199	12,993,245	10,894,505
Loans, advances and financing	A11	141,154,420	136,308,217	110,416,809	108,934,970
Other assets	A12	1,731,392	1,196,981	1,198,569	1,146,282
Derivative financial instruments		1,449,179	528,256	1,372,409	522,995
Amount due from subsidiaries		-	-	58,670	13,095
Statutory deposits with Central Banks		1,130,057	4,588,833	837,022	3,564,423
Subsidiary companies		-	-	2,569,038	2,558,337
Investment in associated companies		4,623,740	4,106,375	971,182	971,182
Property and equipment		1,303,327	1,382,572	685,722	761,639
Intangible assets		181,654	125,225	162,184	110,895
Right-of-use assets		269,361	-	431,207	-
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		85,691	16,030	48,067	-
TOTAL ASSETS		216,715,109	207,369,415	174,959,794	169,460,620
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A13	167,933,483	163,070,294	134,711,504	131,396,525
Investment accounts of customers	A14	883,142	2,235	-	-
Deposits and placements of banks and other financial institutions	A15	6,152,116	7,358,424	6,196,929	7,204,934
Obligations on securities sold under repurchase agreements		4,703,906	2,333,916	4,698,977	2,333,916
Bills and acceptances payable		152,396	393,023	136,558	362,578
Lease liabilities		254,519	-	415,030	-
Other liabilities	A16	5,152,300	4,881,745	4,375,630	4,290,076
Derivative financial instruments		1,559,228	678,637	1,466,145	675,042
Recourse obligation on loans/financing sold to Cagamas Berhad ("Cagamas")		1,050,239	253,591	303,198	202,954
Tier 2 subordinated bonds	A17	1,518,828	1,502,340	1,518,828	1,502,340
Multi-currency Additional Tier 1 capital securities	A18	806,286	806,185	806,286	806,185
Innovative Tier 1 capital securities	A19	-	512,268	-	512,268
Provision for taxation		175,625	95,864	120,352	42,152
Deferred tax liabilities		-	6,506	-	6,506
TOTAL LIABILITIES		190,342,068	181,895,028	154,749,437	149,335,476
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		19,357,322	18,463,141	13,194,638	13,113,898
Less: Treasury shares		(723,344)	(727,817)	(723,344)	(727,817)
TOTAL SHAREHOLDERS' EQUITY		26,373,041	25,474,387	20,210,357	20,125,144
TOTAL LIABILITIES AND EQUITY		216,715,109	207,369,415	174,959,794	169,460,620
<u>COMMITMENTS AND CONTINGENCIES</u>	A31	154,918,857	162,168,169	138,851,437	152,997,021
Net asset per share attributable to ordinary equity holders of the parent (RM) *		12.88	12.45	9.87	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 March 2020

	Note	The Group			
		Current Quarter Ended 31/03/2020 RM'000	Corresponding Quarter Ended 31/03/2019 RM'000	Current Period Ended 31/03/2020 RM'000	Corresponding Period Ended 31/03/2019 RM'000
Interest income	A20(a)	1,477,490	1,583,079	4,571,611	4,755,329
Interest income for financial assets at fair value through profit or loss	A20(b)	75,182	101,066	218,477	292,635
Interest expense	A21	(872,533)	(992,797)	(2,676,816)	(2,952,059)
Net interest income		680,139	691,348	2,113,272	2,095,905
Net income from Islamic Banking business	A22	206,284	188,468	612,469	532,288
Other operating income	A23	242,643	287,000	855,961	929,818
Net income		1,129,066	1,166,816	3,581,702	3,558,011
Other operating expenses	A24	(533,629)	(525,495)	(1,582,900)	(1,561,516)
Operating profit before allowances (Allowance for)/written back of impairment losses on loans, advances and financing	A25	595,437	641,321	1,998,802	1,996,495
Written back of impairment losses on financial investments and other financial assets	A26	(125,852)	(4,690)	(136,357)	34,681
		2,029	1,081	391	390
		471,614	637,712	1,862,836	2,031,566
Share of profit after tax of equity accounted associated companies		165,580	140,943	477,879	421,425
Profit before taxation		637,194	778,655	2,340,715	2,452,991
Taxation	B5	(102,404)	(144,757)	(415,533)	(424,932)
Net profit for the financial period		534,790	633,898	1,925,182	2,028,059
Attributable to:					
Owners of the parent		534,790	633,898	1,925,182	2,028,059
Earnings per share - basic (sen)	B12(a)	26.1	31.0	94.1	99.1
Earnings per share - fully diluted (sen)	B12(b)	26.1	30.9	94.0	98.9

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
(97141-X)
(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 March 2020

	The Group			
	Current Quarter Ended 31/03/2020 RM'000	Corresponding Quarter Ended 31/03/2019 RM'000	Current Period Ended 31/03/2020 RM'000	Corresponding Period Ended 31/03/2019 RM'000
Net profit for the financial period	534,790	633,898	1,925,182	2,028,059
Other comprehensive income/(loss) in respect of:				
Items that may be reclassified subsequently to profit or loss:				
(a) Share of other comprehensive income/(loss) of associated company	-	6,564	(4,631)	5,742
(b) Currency translation differences	200,203	27,165	74,597	(12,847)
(c) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(110,291)	138,240	(109,670)	240,117
- Changes in expected credit losses	(641)	-	(173)	-
(d) Net fair value changes in cash flow hedge	(6,172)	(1,906)	(6,421)	(2,981)
Income tax relating to components of other comprehensive loss/(income)	21,063	(30,036)	22,318	(54,153)
Other comprehensive income/(loss) for the financial period, net of tax	104,162	140,027	(23,980)	175,878
Total comprehensive income for the financial period	<u>638,952</u>	<u>773,925</u>	<u>1,901,202</u>	<u>2,203,937</u>
Attributable to:				
- Owners of the parent	<u>638,952</u>	<u>773,925</u>	<u>1,901,202</u>	<u>2,203,937</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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(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 March 2020

	Note	The Bank			
		Current Quarter Ended 31/03/2020 RM'000	Corresponding Quarter Ended 31/03/2019 RM'000	Current Period Ended 31/03/2020 RM'000	Corresponding Period Ended 31/03/2019 RM'000
Interest income	A20(a)	1,442,281	1,552,356	4,474,907	4,671,997
Interest income for financial assets at fair value through profit or loss	A20(b)	75,182	101,066	218,477	292,635
Interest expense	A21	(862,080)	(981,794)	(2,652,378)	(2,926,817)
Net interest income		655,383	671,628	2,041,006	2,037,815
Other operating income	A23	253,166	302,750	856,650	988,864
Net income		908,549	974,378	2,897,656	3,026,679
Other operating expenses	A24	(453,740)	(458,311)	(1,349,352)	(1,361,064)
Operating profit before allowances (Allowance for)/written back of impairment losses on loans, advances and financing	A25	454,809	516,067	1,548,304	1,665,615
Written back of/(allowance for) impairment losses on financial investments and other financial assets	A26	(96,815)	15,836	(47,465)	70,894
Profit before taxation		1,276	659	(1,433)	(404)
Taxation	B5	359,270	532,562	1,499,406	1,736,105
Net profit for the financial period		(74,020)	(116,850)	(327,212)	(343,958)
Attributable to:		285,250	415,712	1,172,194	1,392,147
Owners of the parent		285,250	415,712	1,172,194	1,392,147
Earnings per share - basic (sen)	B12(a)	13.9	20.3	57.3	68.0
Earnings per share - fully diluted (sen)	B12(b)	13.9	20.3	57.3	67.9

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HONG LEONG BANK BERHAD
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(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 March 2020

	The Bank			
	Current Quarter Ended 31/03/2020 RM'000	Corresponding Quarter Ended 31/03/2019 RM'000	Current Period Ended 31/03/2020 RM'000	Corresponding Period Ended 31/03/2019 RM'000
Net profit for the financial period	285,250	415,712	1,172,194	1,392,147
Other comprehensive (loss)/income in respect of:				
Items that may be reclassified subsequently to profit or loss:				
(a) Currency translation differences	10,043	(3,905)	1,436	16,578
(b) Debt instruments at fair value through other comprehensive income				
- Net fair value changes	(84,674)	121,311	(99,081)	205,524
- Changes in expected credit losses	(436)	-	(66)	-
(c) Net fair value changes in cash flow hedge	(6,171)	(1,906)	(6,420)	(2,981)
Income tax relating to components of other comprehensive loss/(income)	15,369	(24,468)	19,698	(45,340)
Other comprehensive (loss)/income for the financial period, net of tax	(65,869)	91,032	(84,433)	173,781
Total comprehensive income for the financial period	219,381	506,744	1,087,761	1,565,928

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

HONG LEONG BANK BERHAD

(97141-X)

(Incorporated in Malaysia)

Condensed Financial Statements

Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2020

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	-	-	-	1,925,182	-	1,925,182
- 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	-	(88,929)	-	-	-	(88,929)
- Changes in expected credit losses	-	(173)	-	-	-	(173)
- Net fair value changes in cash flow hedge	-	(4,844)	-	-	-	(4,844)
- Currency translation differences	-	74,597	-	-	-	74,597
Total comprehensive (loss)/income	-	(23,980)	-	1,925,182	-	1,901,202
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	111,168	(111,168)	-	-
Dividends paid	-	-	-	(1,023,340)	-	(1,023,340)
ESS exercised	-	(6,464)	-	5,250	4,473	3,259
Option charge arising from ESS granted	-	17,533	-	-	-	17,533
Total transactions with owners	-	11,069	111,168	(1,129,258)	4,473	(1,002,548)
At 31 March 2020	7,739,063	905,503	969,483	17,482,336	(723,344)	26,373,041
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	-	-	-	2,028,059	-	2,028,059
- Share of other comprehensive loss of associated company	-	5,742	-	-	-	5,742
- Net fair value changes in financial investments at fair value through other comprehensive income	-	185,324	-	-	-	185,324
- Net fair value changes in cash flow hedge	-	(2,341)	-	-	-	(2,341)
- Currency translation differences	-	(12,847)	-	-	-	(12,847)
Total comprehensive income	-	175,878	-	2,028,059	-	2,203,937
<u>Transactions with owners</u>						
Transfer from regulatory reserve	-	-	105,158	(105,158)	-	-
Dividends paid	-	-	-	(982,056)	-	(982,056)
ESS exercised	-	(4,964)	-	2,774	2,906	716
Option charge arising from ESS granted	-	16,359	-	-	-	16,359
Total transactions with owners	-	11,395	105,158	(1,084,440)	2,906	(964,981)
At 31 March 2019	7,739,063	846,676	853,817	16,196,226	(729,361)	24,906,421

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM958,238,000 (31 March 2019: RM842,572,000) in accordance with BNM's Guideline and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2019: RM11,245,000)

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

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2020

	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	-	-	-	1,172,194	-	1,172,194
- Financial assets measured at fair value through other comprehensive income						
- Debt instruments						
- Net fair value changes	-	(80,960)	-	-	-	(80,960)
- Changes in expected credit losses	-	(66)	-	-	-	(66)
- Net fair value changes in cash flow hedge	-	(4,843)	-	-	-	(4,843)
- Currency translation differences	-	1,436	-	-	-	1,436
Total comprehensive (loss)/income	-	(84,433)	-	1,172,194	-	1,087,761
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	71,482	(71,482)	-	-
Dividends paid	-	-	-	(1,023,340)	-	(1,023,340)
ESS exercised	-	(6,464)	-	5,250	4,473	3,259
Option charge arising from ESS granted	-	17,533	-	-	-	17,533
Total transactions with owners	-	11,069	71,482	(1,089,572)	4,473	(1,002,548)
At 31 March 2020	7,739,063	311,000	766,679	12,116,959	(723,344)	20,210,357
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	-	-	-	1,392,147	-	1,392,147
- Net fair value changes in financial investments at fair value through other comprehensive income	-	159,544	-	-	-	159,544
- Net fair value changes in cash flow hedge	-	(2,341)	-	-	-	(2,341)
- Currency translation differences	-	16,578	-	-	-	16,578
Total comprehensive income	-	173,781	-	1,392,147	-	1,565,928
<u>Transactions with owners</u>						
Transfer to regulatory reserve	-	-	90,640	(90,640)	-	-
Dividends paid	-	-	-	(982,056)	-	(982,056)
ESS exercised	-	(4,964)	-	2,774	2,906	716
Option charge arising from ESS granted	-	16,359	-	-	-	16,359
Total transactions with owners	-	11,395	90,640	(1,069,922)	2,906	(964,981)
At 31 March 2019	7,739,063	300,165	695,730	11,640,804	(729,361)	19,646,401

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

Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2020

	The Group		The Bank	
	Financial Period Ended 31/03/2020 RM'000	Financial Period Ended 31/03/2019 RM'000	Financial Period Ended 31/03/2020 RM'000	Financial Period Ended 31/03/2019 RM'000
Profit before taxation	2,340,715	2,452,991	1,499,406	1,736,105
Adjustments for non-cash items	<u>(1,017,295)</u>	<u>(950,171)</u>	<u>(690,230)</u>	<u>92,518</u>
Operating profit before working capital changes	1,323,420	1,502,820	809,176	1,828,623
Changes in working capital:				
Net changes in operating assets	210,599	(3,922,439)	2,477,477	(1,857,813)
Net changes in operating liabilities	8,071,813	1,845,930	5,752,215	(490,870)
Income taxes and zakat paid	<u>(347,319)</u>	<u>(390,685)</u>	<u>(269,026)</u>	<u>(331,004)</u>
Net cash generated from/(used in) operating activities	<u>9,258,513</u>	<u>(964,374)</u>	<u>8,769,842</u>	<u>(851,064)</u>
Cash flows from investing activities				
Interest received from investment in Multi-currency Additional Tier 1 subordinated sukuk wakalah	-	-	-	(5,060)
Investment in subordinated facilities	-	-	(1,358)	(862)
Net (purchases)/proceeds of financial investments at fair value	(4,297,028)	639,714	(3,479,785)	1,042,066
Net purchases of financial investments at amortised cost	(2,003,939)	-	(1,805,919)	-
Net proceeds of financial investments at amortised cost	-	1,768,248	-	1,567,939
Purchase of property and equipment	(115,815)	(99,656)	(97,299)	(92,476)
Net proceeds from sale of property and equipment	6,169	583	6,128	439
Purchase of intangible assets	(42,143)	(8,719)	(38,104)	(7,673)
Dividends received from:				
- Subsidiary company	-	-	-	20,020
- Associated companies	-	2,901	-	2,901
- Financial assets at fair value through profit or loss	191,051	210,045	191,051	210,045
- Financial investments at fair value through other comprehensive income	3,683	203	3,683	203
Net cash (used in)/generated from investing activities	<u>(6,258,022)</u>	<u>2,513,319</u>	<u>(5,221,603)</u>	<u>2,737,542</u>
Cash flows from financing activities				
Dividends paid	(1,023,340)	(982,056)	(1,023,340)	(982,056)
Cash received from ESOS exercised	3,259	716	3,259	716
Proceeds/(repayment) from debt issuance				
- Recourse obligation on financing sold to Cagamas	799,950	50,000	99,950	-
- Multi-currency Additional Tier 1 capital securities	-	400,000	-	400,000
Repayment of Innovative Tier 1 capital securities	(500,000)	-	(500,000)	-
Interest paid:				
- Recourse obligation on loans/financing sold to Cagamas	(20,865)	(7,600)	(3,691)	(7,600)
- Tier 2 subordinated bonds	(33,660)	(53,704)	(33,689)	(58,543)
- Multi-currency Additional Tier 1 capital securities	(29,245)	(10,318)	(29,369)	(10,442)
- Innovative Tier 1 capital securities	<u>(21,071)</u>	<u>(40,782)</u>	<u>(21,071)</u>	<u>(40,782)</u>
Net cash used in financing activities	<u>(824,972)</u>	<u>(643,744)</u>	<u>(1,507,951)</u>	<u>(698,707)</u>

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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2020

	The Group		The Bank	
	Financial Period Ended 31/03/2020 RM'000	Financial Period Ended 31/03/2019 RM'000	Financial Period Ended 31/03/2020 RM'000	Financial Period Ended 31/03/2019 RM'000
Net increase in cash and cash equivalents	2,175,519	905,201	2,040,288	1,187,771
Currency translation differences	29,355	26,862	1,204	14,532
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>6,728,611</u>	<u>4,895,372</u>	<u>6,300,261</u>	<u>4,484,997</u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	5,678,964	5,405,915	5,072,330	4,839,569
Deposits and placements with banks and other financial institutions	1,131,830	1,736,002	1,787,288	1,878,504
	<u>6,810,794</u>	<u>7,141,917</u>	<u>6,859,618</u>	<u>6,718,073</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	(82,183)	(2,246,545)	(559,357)	(2,233,076)
	<u>6,728,611</u>	<u>4,895,372</u>	<u>6,300,261</u>	<u>4,484,997</u>

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

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL PERIOD ENDED 31 MARCH 2020**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2020 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 A34.

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 in the current financial period.

A4 Exceptional items or unusual events affecting financial statements

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

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 financial period.

A6 Issuance and repayment of debt and equity securities

Save as detailed below, there were no other new shares issuance, repayment of debt and equity securities, share buy-back and share cancellations, or resale of shares held as treasury shares during the financial period ended 31 March 2020:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 31 March 2020 amounted to 81,101,700 shares, at an average price per share of RM5.32. None of the treasury shares were resold or cancelled to date.

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

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

During the financial period ended 31 March 2020, the trust did not purchase any new shares. As at 31 March 2020, the total number of Treasury Shares for ESS was 39,575,096 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.

On 8 January 2020, the Bank has granted 250,514 ordinary shares in HLB to eligible executives of the Bank pursuant to the Bank's ESS. The vesting of the 250,514 free ordinary shares in HLB will be done in tranches over a period of 1.5 years from the date of the grant.

During the financial period ended 31 March 2020, a total of 5,933,842 share options and grant shares lapsed and a total of 434,370 ordinary shares were vested and transferred while a total of 172,946 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.

An interim single tier dividend of 16.0 sen per share in respect of financial year ending 30 June 2020 amounting to RM327.5 million was paid on 26 March 2020.

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

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Money market instruments:				
Government treasury bills	232,347	21,900	187,282	21,900
Malaysian Government securities	1,184,411	2,245,849	1,184,411	2,245,849
Malaysian Government investment certificates	329,661	1,824,682	244,899	1,309,387
Bankers' acceptances and Islamic accepted bills	22,369	-	22,369	-
Cagamas bonds	120,555	76,386	120,555	76,386
Khazanah bonds	-	136,726	-	136,726
Other Government securities	-	92,163	-	92,163
	<u>1,889,343</u>	<u>4,397,706</u>	<u>1,759,516</u>	<u>3,882,411</u>
Quoted securities:				
Wholesale fund/unit trust	7,151,704	7,066,213	7,151,704	7,066,213
Foreign currency bonds in Malaysia	-	60,375	-	60,375
Foreign currency bonds outside Malaysia	198,798	108,167	198,798	108,167
Unquoted securities:				
Malaysian Government sukuk	263,991	-	263,991	-
Corporate bonds and sukuk	71,464	162,134	5,048	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>9,905,872</u>	<u>12,131,033</u>	<u>9,709,629</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>31/03/2020</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/03/2020</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
At fair value				
(a) Debt instruments	28,743,407	23,810,179	24,830,545	20,701,667
(b) Equity instruments	44,331	44,331	44,331	44,331
Total financial investments at FVOCI	<u>28,787,738</u>	<u>23,854,510</u>	<u>24,874,876</u>	<u>20,745,998</u>
(a) Debt instruments				
Money market instruments:				
Government treasury bills	506,741	-	506,741	-
Malaysian Government securities	3,071,966	1,420,656	3,071,966	1,420,656
Malaysian Government investment certificates	9,141,467	6,303,409	6,167,627	5,151,270
Negotiable instruments of deposit	1,388,269	1,197,900	1,988,144	899,135
Other Government securities	115,716	694,508	-	542,176
Cagamas bonds	1,674,028	1,311,562	950,693	1,045,677
Khazanah bonds	382,426	272,685	373,067	263,646
	<u>16,280,613</u>	<u>11,200,720</u>	<u>13,058,238</u>	<u>9,322,560</u>
Quoted securities:				
Foreign currency bonds in Malaysia	1,724,809	1,776,207	1,724,809	1,743,093
Foreign currency bonds outside Malaysia	1,405,436	1,638,380	1,405,436	1,638,380
Unquoted securities:				
Malaysian Government sukuk	751,320	350,898	700,494	183,458
Corporate bonds and sukuk	7,635,489	7,318,697	6,995,828	6,288,899
Foreign currency bonds in Malaysia	399,427	973,343	399,427	973,343
Foreign currency bonds outside Malaysia	546,313	551,934	546,313	551,934
	<u>28,743,407</u>	<u>23,810,179</u>	<u>24,830,545</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>
	12 Months	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
The Group 31 March 2020	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	1,566	-	4,287	5,853
New financial assets originated or purchased	999	-	-	999
Financial assets derecognised	(956)	-	-	(956)
Changes due to change in credit risk	(223)	-	-	(223)
Changes in models/risk parameters	(20)	-	-	(20)
Exchange differences	27	-	-	27
At 31 March	<u>1,393</u>	<u>-</u>	<u>4,287</u>	<u>5,680</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 Group 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	2,428	-	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 March 2020	<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	1,001	-	-	1,001
Financial assets derecognised	(888)	-	-	(888)
Changes due to change in credit risk	(186)	-	-	(186)
Changes in models/risk parameters	(18)	-	-	(18)
Exchange differences	25	-	-	25
At 31 March	<u>1,388</u>	<u>-</u>	<u>4,287</u>	<u>5,675</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>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</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>	
	31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Money market instruments:				
Government treasury bills	56,049	53,820	56,049	53,820
Malaysian Government securities	1,560,359	102,105	1,560,359	102,105
Malaysian Government investment certificates	9,427,757	8,721,860	6,389,448	5,887,037
Khazanah bonds	313,069	304,266	275,519	267,837
Other Government securities	448,697	326,179	429,344	307,305
	<u>11,805,931</u>	<u>9,508,230</u>	<u>8,710,719</u>	<u>6,618,104</u>
Quoted securities:				
Foreign currency bonds in Malaysia	856,745	845,592	856,745	845,592
Foreign currency bonds outside Malaysia	142,598	151,587	142,598	151,587
Unquoted securities:				
Malaysian Government sukuk	2,636,585	2,657,094	1,681,287	1,694,196
Corporate bonds and sukuk	2,008,991	1,991,703	1,602,174	1,586,027
Less: Expected credit losses	(278)	(1,007)	(278)	(1,001)
Total financial investments at amortised cost	<u>17,450,572</u>	<u>15,153,199</u>	<u>12,993,245</u>	<u>10,894,505</u>

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
The Group				
31 March 2020				
At 1 July	180	-	827	1,007
Changes due to change in credit risk	94	-	-	94
Amount written off	-	-	(827)	(827)
Exchange differences	4	-	-	4
At 31 March	<u>278</u>	<u>-</u>	<u>-</u>	<u>278</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
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 March 2020	RM'000	RM'000	RM'000	RM'000
At 1 July	174	-	827	1,001
Changes due to change in credit risk	98	-	-	98
Amount written off	-	-	(827)	(827)
Exchange differences	6	-	-	6
At 31 March	278	-	-	278

	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>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdrafts	3,614,270	3,863,555	2,839,179	3,119,277
Term loans/financing:				
- Housing and shop loans/financing	80,802,468	76,495,886	64,088,398	61,165,045
- Syndicated/term loans or financing	13,203,501	11,740,501	9,237,004	8,717,446
- Hire purchase receivables	17,499,547	17,634,182	13,707,988	14,015,409
- Ijarah receivables	158,845	-	-	-
- Other term loans/financing	8,087,470	7,984,748	4,553,116	5,154,293
Credit/charge card receivables	3,344,717	3,597,974	3,344,717	3,597,974
Bills receivable	952,272	1,061,015	771,836	926,496
Trust receipts	424,363	421,884	389,787	306,390
Claims on customers under acceptance credits	6,995,271	8,029,521	6,183,870	7,276,246
Revolving credit	6,910,550	6,227,550	5,864,838	5,161,648
Staff loans/financing	135,660	138,753	130,215	132,620
Other loans/financing	277,203	370,814	277,202	370,455
Gross loans, advances and financing	<u>142,406,137</u>	<u>137,566,383</u>	<u>111,388,150</u>	<u>109,943,299</u>
Fair value changes arising from fair value hedges	16,661	3,473	14,371	3,473
Allowance for impairment losses:				
- Expected credit losses	(1,268,378)	(1,261,639)	(985,712)	(1,011,802)
Total net loans, advances and financing	<u>141,154,420</u>	<u>136,308,217</u>	<u>110,416,809</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 RM1,019,764,000 (2019: RM236,439,000) and RM296,026,000 (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>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</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	1,410,432	953,920	1,084,324	853,670
Domestic business enterprises:				
- small and medium enterprises	21,223,346	21,504,122	16,879,323	17,282,182
- others	19,322,694	19,232,651	14,998,893	15,751,104
Government and statutory bodies	1,873	2,037	44	41
Individuals	97,297,532	93,385,273	76,059,484	73,812,923
Other domestic entities	1,036,460	418,282	452,242	374,831
Foreign entities	2,113,800	2,070,098	1,913,840	1,868,548
Gross loans, advances and financing	<u>142,406,137</u>	<u>137,566,383</u>	<u>111,388,150</u>	<u>109,943,299</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</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	1,591,324	1,641,101	996,289	1,081,501
- Hire purchase receivables	17,337,322	17,413,826	13,548,811	13,797,959
- Other fixed rate loans/financing	6,625,624	6,374,770	4,859,683	4,856,527
Variable rate:				
- Base rate/base lending rate plus	99,123,766	94,502,743	78,335,593	76,209,468
- Cost plus	16,906,392	17,017,202	13,647,774	13,997,844
- Other variables rates	821,709	616,741	-	-
Gross loans, advances and financing	<u>142,406,137</u>	<u>137,566,383</u>	<u>111,388,150</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>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</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	647,427	808,590	351,654	553,613
Purchase of transport vehicles	17,292,301	17,489,088	13,448,688	13,829,965
Purchase of landed properties				
- residential	71,758,252	67,437,747	56,165,867	53,224,466
- non-residential	16,824,919	16,369,237	14,273,144	14,144,111
Purchase of fixed assets (excluding landed properties)	1,080,277	988,287	713,427	700,315
Personal use	3,518,602	3,389,881	2,127,312	2,065,876
Credit card	3,344,717	3,597,974	3,344,717	3,597,974
Construction	2,494,433	2,006,223	1,611,067	1,277,523
Mergers and acquisition	174,639	312,445	-	125,522
Working capital	23,889,130	23,791,965	18,505,307	19,545,202
Other purpose	1,381,440	1,374,946	846,967	878,732
Gross loans, advances and financing	<u>142,406,137</u>	<u>137,566,383</u>	<u>111,388,150</u>	<u>109,943,299</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	134,430,809	130,455,793	105,808,339	104,719,012
Singapore	5,579,811	5,224,287	5,579,811	5,224,287
Vietnam	821,709	616,741	-	-
Cambodia	1,573,808	1,269,562	-	-
Gross loans, advances and financing	<u>142,406,137</u>	<u>137,566,383</u>	<u>111,388,150</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>31/03/2020</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/03/2020</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>
Within one year	24,630,210	26,236,955	21,508,545	23,183,492
One year to less than three years	5,503,171	5,914,184	4,348,569	4,699,471
Three years to less than five years	10,746,212	9,612,277	7,373,568	7,243,460
Five years and more	101,526,544	95,802,967	78,157,468	74,816,876
Gross loans, advances and financing	<u>142,406,137</u>	<u>137,566,383</u>	<u>111,388,150</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>31/03/2020</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/03/2020</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	1,760,538	1,620,178	1,301,388	1,238,702
Reclassified as non-impaired during the financial period/year	(762,611)	(868,464)	(570,832)	(632,821)
Amount written back in respect of recoveries	(400,963)	(489,105)	(336,804)	(366,606)
Amount written off	(268,358)	(318,398)	(197,746)	(259,162)
Exchange difference	1,613	1,398	1,414	1,518
At 31 March	<u>1,401,330</u>	<u>1,071,111</u>	<u>1,085,284</u>	<u>887,864</u>
Gross impaired loans and financing as a % of gross loans, advances and financing	<u>1.0%</u>	<u>0.8%</u>	<u>1.0%</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>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</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	295	51	284	5
Purchase of transport vehicles	132,518	122,105	99,443	90,856
Purchase of landed properties				
- residential	571,324	376,182	417,551	278,841
- non-residential	162,358	169,127	143,647	161,694
Purchase of fixed assets (excluding landed properties)	4,567	5,325	4,567	5,325
Personal use	54,494	44,470	25,778	23,321
Credit card	38,611	32,505	38,611	32,505
Construction	10,201	17,350	9,046	15,583
Working capital	359,563	298,966	337,020	274,704
Other purpose	67,399	5,030	9,337	5,030
Gross impaired loans, advances and financing	<u>1,401,330</u>	<u>1,071,111</u>	<u>1,085,284</u>	<u>887,864</u>

A11h Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,302,126	1,063,910	991,169	886,352
Singapore	94,115	1,512	94,115	1,512
Vietnam	1,598	1,621	-	-
Cambodia	3,491	4,068	-	-
Gross impaired loans, advances and financing	<u>1,401,330</u>	<u>1,071,111</u>	<u>1,085,284</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 March 2020				
At 1 July	369,715	498,325	393,599	1,261,639
Changes in ECL due to transfer within stages	(88,508)	(140,655)	229,163	-
Transfer to Stage 1	12,661	(12,560)	(101)	-
Transfer to Stage 2	(101,055)	170,354	(69,299)	-
Transfer to Stage 3	(114)	(298,449)	298,563	-
New financial assets originated	46,703	1,884	1,393	49,980
Financial assets derecognised	(16,036)	(35,089)	(17,989)	(69,114)
Changes due to change in credit risk	49,257	127,029	127,217	303,503
Changes in models/risk parameters	(2,712)	(2,857)	3,282	(2,287)
Amount written off	-	-	(268,954)	(268,954)
Exchange difference	240	283	1,385	1,908
Other movements	-	-	(8,297)	(8,297)
At 31 March	358,659	448,920	460,799	1,268,378

	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 March 2020			
At 1 July	311,663	386,656	313,483	1,011,802
Changes in ECL due to transfer within stages	(72,375)	(90,270)	162,645	-
Transfer to Stage 1	10,359	(10,275)	(84)	-
Transfer to Stage 2	(82,618)	131,761	(49,143)	-
Transfer to Stage 3	(116)	(211,756)	211,872	-
New financial assets originated	19,581	1,700	1,390	22,671
Financial assets derecognised	(4,215)	(21,019)	(9,170)	(34,404)
Changes due to change in credit risk	39,231	72,010	79,168	190,409
Changes in models/risk parameters	(1,676)	(2,721)	3,046	(1,351)
Amount written off	-	-	(197,753)	(197,753)
Exchange difference	(5)	285	1,420	1,700
Other movements	-	-	(7,362)	(7,362)
At 31 March	292,204	346,641	346,867	985,712

	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>	
	<u>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Foreclosed properties	18,387	21,839	10,953	10,849
Sundry debtors and other prepayments	462,580	371,710	444,233	351,193
Treasury related receivables	371,427	242,617	21	242,617
Cash collateral pledged for derivative transactions	742,851	301,552	742,851	301,552
Other receivables	136,147	259,263	511	240,071
	<u>1,731,392</u>	<u>1,196,981</u>	<u>1,198,569</u>	<u>1,146,282</u>

A13 Deposits from customers

A13a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Amortised cost				
Fixed deposits	95,606,903	91,064,010	75,028,703	70,785,542
Negotiable instruments of deposits	10,181,076	10,123,656	7,984,213	8,598,899
Short-term placements	16,003,535	17,161,123	12,161,038	14,131,227
	<u>121,791,514</u>	<u>118,348,789</u>	<u>95,173,954</u>	<u>93,515,668</u>
Demand deposits	25,164,784	24,018,791	22,183,703	20,722,461
Saving deposits	19,097,919	17,706,562	15,819,183	14,663,658
Others	750,199	891,350	556,950	736,729
	<u>166,804,416</u>	<u>160,965,492</u>	<u>133,733,790</u>	<u>129,638,516</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	1,123,968	2,159,671	973,235	1,812,544
Fair value changes arising from designation at fair value through profit or loss *	5,099	(54,869)	4,479	(54,535)
	<u>1,129,067</u>	<u>2,104,802</u>	<u>977,714</u>	<u>1,758,009</u>
	<u>167,933,483</u>	<u>163,070,294</u>	<u>134,711,504</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>	
	31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Government and statutory bodies	5,437,796	7,415,514	3,516,874	4,246,520
Business enterprises	66,255,308	67,038,577	48,982,598	51,715,857
Individuals	92,973,038	85,518,130	79,833,199	73,129,569
Others	3,267,341	3,098,073	2,378,833	2,304,579
	<u>167,933,483</u>	<u>163,070,294</u>	<u>134,711,504</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>	
	31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Due within:				
- six months	101,952,658	95,101,452	78,631,208	73,557,213
- six months to one year	18,732,716	21,763,420	15,744,198	18,818,766
- one year to five years	965,417	1,440,321	657,825	1,096,093
- more than five years	140,723	43,596	140,723	43,596
	<u>121,791,514</u>	<u>118,348,789</u>	<u>95,173,954</u>	<u>93,515,668</u>

A14 Investment accounts of customers

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Unrestricted investment accounts	<u>883,142</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>	
	31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Licensed banks	5,859,345	7,059,886	6,168,927	7,059,770
Licensed investment banks	28,002	95,023	28,002	95,023
Licensed Islamic banks	-	140,000	-	-
Central banks	202,200	12,222	-	-
Other financial institutions	62,569	51,293	-	50,141
	<u>6,152,116</u>	<u>7,358,424</u>	<u>6,196,929</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>6,152,116</u>	<u>7,358,424</u>	<u>6,196,929</u>	<u>7,204,934</u>

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A16 Other liabilities

	Note	<u>The Group</u>		<u>The Bank</u>	
		31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Zakat		583	350	-	-
Post employment benefits obligation					
- defined contribution plan		293	300	293	300
Loan advance payment		3,423,386	3,351,885	2,741,593	2,691,960
Interbranch clearing with subsidiary company		-	-	-	571,263
Amount due to subsidiary companies		-	-	205	29
Treasury and cheque clearing		643,664	452,626	629,285	66,405
Treasury related payables		174,161	149,347	174,161	149,347
Sundry creditors and accruals		276,156	175,507	245,783	140,623
Provision for bonus and staff related expenses		117,510	164,504	110,275	155,941
Expected credit losses on financial guarantee contracts	(a)	9,084	7,928	7,467	7,117
Provision for reinstatement cost		22,990	-	27,711	-
Others		484,473	579,298	438,857	507,091
		<u>5,152,300</u>	<u>4,881,745</u>	<u>4,375,630</u>	<u>4,290,076</u>

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u>
	<u>12 Months ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	
The Group	RM'000	RM'000	RM'000	RM'000
31 March 2020				
At 1 July	2,380	5,527	21	7,928
Changes in ECL due to transfer within stages	(47)	41	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(51)	51	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	171	1	-	172
Financial assets derecognised	(21)	(23)	-	(44)
Changes due to change in credit risk	1,430	13	4	1,447
Changes in models/risk parameters	(264)	(296)	(22)	(582)
Exchange difference	8	164	-	172
Other movements	-	-	(9)	(9)
At 31 March	<u>3,657</u>	<u>5,427</u>	<u>-</u>	<u>9,084</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12 Months ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Lifetime ECL credit impaired</u>	<u>Total ECL</u>
The Group	RM'000	RM'000	RM'000	RM'000
30 June 2019				
At 1 July				-
Effect of adopting MFRS 9				6,920
At 1 July, as restated	2,065	4,855	-	6,920
Changes in ECL due to transfer within stages	(13)	(80)	93	-
Transfer to Stage 1	23	(23)	-	-
Transfer to Stage 2	(36)	36	-	-
Transfer to Stage 3	-	(93)	93	-
New financial assets originated	142	2	-	144
Financial assets derecognised	(28)	(12)	-	(40)
Changes due to change in credit risk	220	642	(68)	794
Exchange difference	(6)	120	-	114
Other movements	-	-	(4)	(4)
At 30 June	<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>	<u>Total ECL</u> <u>RM'000</u>
	<u>12 Months</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
	<u>ECL</u>	<u>not credit</u>	<u>credit</u>	
The Bank 31 March 2020	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	1,574	5,521	22	7,117
Changes in ECL due to transfer within stages	(46)	40	6	-
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(50)	50	-	-
Transfer to Stage 3	-	(6)	6	-
New financial assets originated	167	1	-	168
Financial assets derecognised	(20)	(23)	-	(43)
Changes due to change in credit risk	451	2	3	456
Changes in models/risk parameters	(77)	(294)	(22)	(393)
Exchange difference	6	165	-	171
Other movements	-	-	(9)	(9)
At 31 March	<u>2,055</u>	<u>5,412</u>	<u>-</u>	<u>7,467</u>

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u> <u>RM'000</u>
	<u>12 Months</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
	<u>ECL</u>	<u>not credit</u>	<u>credit</u>	
The Bank 30 June 2019	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July				-
Effect of adopting MFRS 9				<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>31/03/2020</u> <u>RM'000</u>	<u>30/06/2019</u> <u>RM'000</u>	<u>31/03/2020</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		18,858	2,370	18,858	2,370
		<u>1,518,858</u>	<u>1,502,370</u>	<u>1,518,858</u>	<u>1,502,370</u>
Less: Unamortised discounts		(30)	(30)	(30)	(30)
		<u><u>1,518,828</u></u>	<u><u>1,502,340</u></u>	<u><u>1,518,828</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>31/03/2020</u>	<u>30/06/2019</u>	<u>31/03/2020</u>	<u>30/06/2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</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	<u>7,075</u>	<u>6,661</u>	<u>7,075</u>	<u>6,661</u>
	807,075	806,661	807,075	806,661
Less: Unamortised discounts	<u>(789)</u>	<u>(476)</u>	<u>(789)</u>	<u>(476)</u>
	<u><u>806,286</u></u>	<u><u>806,185</u></u>	<u><u>806,286</u></u>	<u><u>806,185</u></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>31/03/2020</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
	<hr/>	<hr/>
	-	512,658
Less: Unamortised discounts	-	(502)
Fair value adjustments on completion of business combination accounting	-	112
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
	-	512,268

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

Group	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	1,172,913	1,215,151	3,635,786	3,623,630
Money at call and deposit placements with financial institutions	38,828	51,358	139,309	166,778
Financial investments at FVOCI	165,864	207,841	499,603	625,461
Financial investments at amortised cost	99,086	105,135	293,528	331,997
Others	799	3,594	3,385	7,463
	<u>1,477,490</u>	<u>1,583,079</u>	<u>4,571,611</u>	<u>4,755,329</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>4,390</u>	<u>3,181</u>	<u>7,294</u>	<u>10,967</u>
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Bank	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	1,133,781	1,187,839	3,528,378	3,546,069
Money at call and deposit placements with financial institutions	41,255	48,727	148,103	164,338
Financial investments at FVOCI	167,569	208,028	502,200	625,572
Financial investments at amortised cost	98,877	104,264	292,919	328,743
Others	799	3,498	3,307	7,275
	<u>1,442,281</u>	<u>1,552,356</u>	<u>4,474,907</u>	<u>4,671,997</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>4,378</u>	<u>3,181</u>	<u>7,246</u>	<u>10,967</u>
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A20(b) Interest income for financial assets at FVTPL

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Financial assets at FVTPL	75,182	101,066	218,477	292,635

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Financial assets at FVTPL	75,182	101,066	218,477	292,635

A21 Interest expense

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	44,392	73,754	128,323	213,307
Deposits from customers	722,521	776,458	2,171,938	2,277,188
Short-term placements	73,844	96,669	275,730	322,671
Tier 2 subordinated bonds	16,604	28,576	50,148	87,043
Multi-currency Additional Tier-1 capital securities	9,815	5,206	29,659	15,533
Innovative Tier 1 capital securities	-	10,259	8,413	30,610
Recourse obligation on loans sold to Cagamas	2,603	1,875	3,985	5,707
Others	2,754	-	8,620	-
	<u>872,533</u>	<u>992,797</u>	<u>2,676,816</u>	<u>2,952,059</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	45,262	74,395	137,148	221,396
Deposits from customers	709,247	764,773	2,132,589	2,243,733
Short-term placements	73,844	96,669	275,730	322,671
Tier 2 subordinated bonds	16,604	28,576	50,178	87,043
Multi-currency Additional Tier-1 capital securities	9,856	5,247	29,783	15,657
Innovative Tier 1 capital securities	-	10,259	8,413	30,610
Recourse obligation on loans sold to Cagamas	2,603	1,875	3,985	5,707
Others	4,664	-	14,552	-
	<u>862,080</u>	<u>981,794</u>	<u>2,652,378</u>	<u>2,926,817</u>

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A22 Net income from Islamic Banking business

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
Group				
Income derived from investment of depositors' funds and others	387,450	388,474	1,174,687	1,099,496
of which Finance income	356,234	377,606	1,127,353	1,082,273
of which other operating income	31,216	10,868	47,334	17,223
Income derived from investment of shareholders' funds	60,527	31,838	157,486	118,792
of which Finance income	44,440	20,186	111,495	81,461
of which other operating income	16,087	11,652	45,991	37,331
Income derived from investment of investment account	4,939	2	11,427	2
Income attributable to depositors	(237,107)	(231,845)	(715,538)	(686,001)
Income attributable to depositors on investment account	(9,525)	(1)	(15,593)	(1)
	<u>206,284</u>	<u>188,468</u>	<u>612,469</u>	<u>532,288</u>

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A23 Other operating income

<u>Group</u>	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	38,907	36,534	125,981	124,406
Service charges and fees	10,689	12,597	33,628	39,343
Guarantee fees	3,633	3,359	10,779	11,404
Credit card related fees	48,774	57,869	159,633	180,128
Corporate advisory fees	-	138	141	1,307
Commitment fees	8,067	8,149	24,765	24,373
Fee on loans, advances and financing	10,017	8,641	33,183	27,885
Other fee income	(5,741)	13,589	40,637	26,868
	114,346	140,876	428,747	435,714
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	28,796	22,979	85,613	66,249
Net loss from sale of derivative financial instruments	(9,558)	(100,710)	(50,032)	(211,301)
Net gain from sale of financial investments at FVOCI	127,282	51,171	246,240	74,892
Net gain from sale of financial investments at amortised cost	-	15,902	-	15,902
	146,520	(10,658)	281,821	(54,258)
(c) <u>Gross dividend income from:</u>				
Financial assets at FVTPL	65,848	66,781	191,051	210,045
Financial investments at FVOCI	-	-	3,683	203
	65,848	66,781	194,734	210,248

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets at FVTPL	(8,122)	26,369	(26,185)	42,752
- Derivatives financial instruments	(118,774)	10,466	(113,617)	60,330
	<u>(126,896)</u>	<u>36,835</u>	<u>(139,802)</u>	<u>103,082</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(596)</u>	<u>(109)</u>	<u>(1,475)</u>	<u>(290)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(808)</u>	<u>(149)</u>	<u>(998)</u>	<u>(197)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	32,898	46,415	66,162	124,134
Rental income	3,709	3,330	11,016	8,676
Gain on disposal of property and equipment	3,781	6	4,022	289
Net gain on divestment of a joint venture	-	-	-	90,106
Other non-operating income	3,841	3,673	11,734	12,314
	<u>44,229</u>	<u>53,424</u>	<u>92,934</u>	<u>235,519</u>
Total other operating income	<u>242,643</u>	<u>287,000</u>	<u>855,961</u>	<u>929,818</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	38,331	35,823	123,894	122,070
Service charges and fees	10,552	12,035	33,128	38,026
Guarantee fees	3,612	3,337	10,651	11,311
Credit card related fees	48,774	57,869	159,633	180,128
Corporate advisory fees	-	138	141	1,307
Commitment fees	7,806	7,892	24,019	23,661
Fee on loans, advances and financing	9,159	7,910	29,765	25,289
Other fee income	(5,819)	13,556	40,354	26,738
	<u>112,415</u>	<u>138,560</u>	<u>421,585</u>	<u>428,530</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain from sale of financial assets at FVTPL	28,796	22,979	85,613	66,249
Net loss from sale of derivative financial instruments	(9,558)	(100,710)	(50,032)	(211,301)
Net gain from sale of financial investments at FVOCI	127,282	51,171	245,949	74,892
Net gain from sale of financial investments at amortised cost	-	15,902	-	15,902
	<u>146,520</u>	<u>(10,658)</u>	<u>281,530</u>	<u>(54,258)</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	20,020	-	20,020
Associated companies	-	-	-	3,976
Financial assets at FVTPL	65,848	66,781	191,051	210,045
Financial investments at FVOCI	-	-	3,683	203
	<u>65,848</u>	<u>86,801</u>	<u>194,734</u>	<u>234,244</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets at FVTPL	(8,122)	26,369	(26,185)	42,752
- Derivatives financial instruments	(118,774)	10,466	(113,617)	60,330
	<u>(126,896)</u>	<u>36,835</u>	<u>(139,802)</u>	<u>103,082</u>
(e) <u>Net realised loss on fair value changes arising from fair value hedges</u>	<u>(596)</u>	<u>(109)</u>	<u>(1,475)</u>	<u>(290)</u>
(f) <u>Net unrealised loss on fair value changes arising from fair value hedges</u>	<u>(808)</u>	<u>(149)</u>	<u>(998)</u>	<u>(197)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	32,442	45,884	64,973	122,387
Rental income	2,078	2,090	6,121	5,268
Gain on disposal of property and equipment	3,780	6	4,021	289
Gain on redemption of redeemable preference shares	15,000	-	15,000	-
Net gain on divestment of a joint venture	-	-	-	138,101
Other non-operating income	3,383	3,490	10,961	11,708
	<u>56,683</u>	<u>51,470</u>	<u>101,076</u>	<u>277,753</u>
Total other operating income	<u>253,166</u>	<u>302,750</u>	<u>856,650</u>	<u>988,864</u>

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A24 Other operating expenses

<u>Group</u>	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	271,950	265,824	799,560	785,007
- Medical expenses	10,682	8,720	26,931	21,429
- Training and convention expenses	2,457	4,838	14,940	17,479
- Staff welfare	2,751	2,702	6,859	7,059
- Others	9,389	4,121	27,284	27,140
	<u>297,229</u>	<u>286,205</u>	<u>875,574</u>	<u>858,114</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	33,720	33,191	100,850	98,549
- Depreciation of right-of-use assets	13,843	-	41,351	-
- Amortisation of intangible assets	14,992	13,436	44,135	40,426
- Rental of premises	873	14,483	2,926	44,531
- Information technology expenses	44,047	44,649	126,763	129,641
- Security services	7,574	7,425	21,863	21,245
- Electricity, water and sewerage	6,568	6,703	18,488	18,851
- Hire of plant and machinery	2,813	3,160	9,667	9,280
- Others	6,346	8,987	18,584	26,117
	<u>130,776</u>	<u>132,034</u>	<u>384,627</u>	<u>388,640</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	5,906	8,495	18,938	16,322
- Sales commission and credit card related fees	29,405	30,038	94,213	94,909
- Others	4,665	4,152	14,285	14,360
	<u>39,976</u>	<u>42,685</u>	<u>127,436</u>	<u>125,591</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,726	5,382	16,062	13,136
- Stationery and printing expenses	3,823	3,507	9,997	10,501
- Professional fees	20,830	21,259	70,221	64,850
- Insurance fees	11,425	10,818	32,717	32,156
- Stamp, postage and courier	4,103	4,169	10,468	10,230
- Travelling and transport expenses	924	1,123	3,266	3,381
- Registration and license fees	2,213	2,086	6,420	6,591
- Brokerage and commission	2,025	2,421	6,351	6,211
- Credit card fees	12,282	10,309	35,361	31,310
- Others	2,297	3,497	4,400	10,805
	<u>65,648</u>	<u>64,571</u>	<u>195,263</u>	<u>189,171</u>
	<u>533,629</u>	<u>525,495</u>	<u>1,582,900</u>	<u>1,561,516</u>

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A24 Other operating expenses (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	219,733	219,468	645,732	646,800
- Medical expenses	8,632	7,413	22,478	17,914
- Training and convention expenses	1,942	3,970	12,211	14,650
- Staff welfare	2,201	2,384	5,383	6,087
- Others	7,497	2,806	21,966	22,000
	<u>240,005</u>	<u>236,041</u>	<u>707,770</u>	<u>707,451</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	29,060	29,219	87,304	86,161
- Depreciation of right-of-use assets	19,403	-	58,032	-
- Amortisation of intangible assets	13,612	12,343	40,412	37,174
- Rental of premises	836	17,653	2,902	54,702
- Information technology expenses	40,045	40,888	114,770	118,895
- Security services	6,066	5,854	17,209	16,762
- Electricity, water and sewerage	5,028	5,432	14,802	15,573
- Hire of plant and machinery	837	2,986	3,600	8,805
- Others	1,592	4,503	2,986	13,040
	<u>116,479</u>	<u>118,878</u>	<u>342,017</u>	<u>351,112</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	5,025	8,002	16,492	14,451
- Sales commission and credit card related fees	25,877	30,038	83,363	94,909
- Others	3,563	2,838	10,929	10,666
	<u>34,465</u>	<u>40,878</u>	<u>110,784</u>	<u>120,026</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,539	5,290	15,650	12,860
- Stationery and printing expenses	3,718	3,366	9,603	9,990
- Professional fees	19,851	20,574	69,931	63,705
- Insurance fees	10,028	9,530	28,675	28,371
- Stamp, postage and courier	4,059	4,127	10,253	10,068
- Travelling and transport expenses	649	812	2,323	2,486
- Registration and license fees	1,913	1,848	5,605	5,859
- Brokerage and commission	1,214	1,386	3,211	3,421
- Credit card fees	12,282	10,309	35,361	31,310
- Others	3,538	5,272	8,169	14,405
	<u>62,791</u>	<u>62,514</u>	<u>188,781</u>	<u>182,475</u>
	<u>453,740</u>	<u>458,311</u>	<u>1,349,352</u>	<u>1,361,064</u>

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	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	166,307	55,065	283,075	128,948
Impaired loans, advances and financing:				
- written off	3,467	4,670	13,271	13,761
- recovered from bad debt written off	(43,922)	(55,045)	(159,989)	(177,390)
	<u>125,852</u>	<u>4,690</u>	<u>136,357</u>	<u>(34,681)</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	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	131,479	30,141	177,513	76,088
Impaired loans, advances and financing:				
- written off	2,857	3,364	9,804	11,189
- recovered from bad debt written off	(37,521)	(49,341)	(139,852)	(158,171)
	<u>96,815</u>	<u>(15,836)</u>	<u>47,465</u>	<u>(70,894)</u>

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

Group	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	(678)	(919)	(200)	(745)
- Financial investments at amortised cost	112	63	94	248
- Other receivables	-	-	(13)	(225)
- Cash and short-term funds	(136)	(962)	(179)	118
- Deposits and placements with banks and other financial institutions	(1,327)	737	(93)	214
	<u>(2,029)</u>	<u>(1,081)</u>	<u>(391)</u>	<u>(390)</u>

Bank	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Expected credit losses on:				
- Financial investments at FVOCI	(472)	(992)	(91)	(842)
- Financial investments at amortised cost	112	63	98	247
- Other receivables	-	-	(13)	(225)
- Cash and short-term funds	(302)	290	334	290
- Deposits and placements with banks and other financial institutions	(614)	(20)	1,105	934
	<u>(1,276)</u>	<u>(659)</u>	<u>1,433</u>	<u>404</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 Capital 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 onwards. 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 onwards are 7.000%, 8.500% and 10.500% respectively.

BNM had issued a letter dated 24 March 2020 on additional measures to assist borrowers/customers affected by the COVID-19 outbreak. These measures allow banking institutions to remain focused on supporting the economy during these exceptional and unprecedented circumstances, by providing flexibilities for banking institutions to respond swiftly to the needs of their customers. To this effect, banking institutions are allowed to drawdown on the capital conservation buffer of 2.500%. However, BNM fully expects banking institutions to restore their buffers within a reasonable period after 31 December 2020 and to be in position to restore their buffers to the minimum regulatory requirements by 30 September 2021.

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 31/03/2020	Financial Year Ended 30/06/2019	Financial Period Ended 31/03/2020	Financial Year Ended 30/06/2019
Before deducting proposed dividends				
CET I capital ratio	12.909%	13.627%	12.939%	13.266%
Tier I capital ratio	13.489%	14.585%	13.297%	14.074%
Total capital ratio	<u>15.729%</u>	<u>16.839%</u>	<u>15.430%</u>	<u>16.203%</u>
After deducting proposed dividends				
CET I capital ratio	12.909%	13.113%	12.939%	12.640%
Tier I capital ratio	13.489%	14.072%	13.297%	13.448%
Total capital ratio	<u>15.729%</u>	<u>16.326%</u>	<u>15.430%</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 31/03/2020 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Period Ended 31/03/2020 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	16,611,573	16,686,412	11,827,031	12,034,337
Other reserves	892,848	849,361	291,859	315,816
Less: Treasury shares	(723,344)	(727,817)	(723,344)	(727,817)
Less: Deferred tax assets	(85,691)	(16,030)	(48,067)	-
Less: Other intangible assets	(181,654)	(125,225)	(162,184)	(110,895)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less: Investment in subsidiary companies/ associated companies	(4,623,740)	(4,106,375)	(2,728,289)	(2,726,932)
Total CET I capital	17,797,743	18,468,077	14,424,522	14,752,025
Additional Tier I capital				
Multi-currency Additional Tier 1 capital securities	799,212	799,523	799,212	799,523
Innovative Tier I capital securities	-	499,498	-	499,498
Additional Tier I capital before regulatory adjustments	799,212	1,299,021	799,212	1,299,021
Less: Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	(400,000)
Additional Tier I capital after regulatory adjustments	799,212	1,299,021	399,212	899,021
Total Tier I capital	18,596,955	19,767,098	14,823,734	15,651,046
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves [#]	1,589,134	1,554,893	1,277,203	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	3,089,104	3,054,863	2,377,173	2,367,175
Total capital	21,686,059	22,821,961	17,200,907	18,018,221

[#] Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM958,238,000 (2019: RM847,070,000) and RM766,679,000 (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 31/03/2020 RM'000	Financial Year Ended 30/06/2019 RM'000	Financial Period Ended 31/03/2020 RM'000	Financial Year Ended 30/06/2019 RM'000
Credit risk *	127,130,702	124,391,420	102,176,270	101,376,433
Market risk	2,237,132	2,558,573	2,263,471	2,595,185
Operational risk	8,502,473	8,577,308	7,039,800	7,233,933
Total RWA	137,870,307	135,527,301	111,479,541	111,205,551

* In accordance with BNM Investment Account Policy, the credit RWA of HLISB funded by Investment Account of RM 628,135,000 (2019: RM1,294,000) is excluded from the calculation of capital adequacy ratio of the Group.

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

	Hong Leong Islamic Bank Berhad	
	Financial Period Ended 31/03/2020	Financial Year Ended 30/06/2019
Before deducting proposed dividends		
CET I capital ratio	10.465%	10.529%
Tier I capital ratio	12.109%	12.258%
Total capital ratio	<u>14.927%</u>	<u>15.150%</u>
After deducting proposed dividends		
CET I capital ratio	10.465%	10.529%
Tier I capital ratio	12.109%	12.258%
Total capital ratio	<u>14.927%</u>	<u>15.150%</u>

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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 31/03/2020

	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	621,529	161,887	319,869	63,479	(16,436)	(21,262)	1,129,066
Inter-segment revenue	(41,147)	130,166	(159,091)	-	70,072	-	-
Segment revenue	<u>580,382</u>	<u>292,053</u>	<u>160,778</u>	<u>63,479</u>	<u>53,636</u>	<u>(21,262)</u>	<u>1,129,066</u>
Segment profit before taxation	199,594	201,368	135,925	(45,882)	6,136	(25,527)	471,614
Share of profit after tax of equity accounted associated companies				165,580			165,580
Profit before taxation							<u>637,194</u>
Taxation							(102,404)
Profit after taxation							<u><u>534,790</u></u>

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

Financial period ended 31/03/2020

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	2,070,439	500,275	917,220	198,415	(71,148)	(33,499)	3,581,702
Inter-segment revenue	(192,793)	398,574	(430,215)	-	224,434	-	-
Segment revenue	<u>1,877,646</u>	<u>898,849</u>	<u>487,005</u>	<u>198,415</u>	<u>153,286</u>	<u>(33,499)</u>	<u>3,581,702</u>
Segment profit before taxation	853,382	584,437	405,739	(29,283)	90,816	(42,255)	1,862,836
Share of profit after tax of equity accounted associated companies				477,879			477,879
Profit before taxation							<u>2,340,715</u>
Taxation							(415,533)
Profit after taxation							<u>1,925,182</u>
Segment assets	100,040,718	33,530,984	60,064,186	16,466,432	-	-	210,102,320
Unallocated assets							6,612,789
Total assets							<u>216,715,109</u>

Corresponding quarter ended 31/03/2019

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

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

Corresponding financial period ended 31/03/2019

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	2,048,790	486,651	908,938	195,938	14,253	(96,559)	3,558,011
Inter-segment revenue	(161,054)	381,450	(560,712)	-	340,316	-	-
Segment revenue	<u>1,887,736</u>	<u>868,101</u>	<u>348,226</u>	<u>195,938</u>	<u>354,569</u>	<u>(96,559)</u>	<u>3,558,011</u>
Segment profit before taxation	846,040	613,450	268,391	28,449	377,815	(102,579)	2,031,566
Share of profit after tax of equity accounted associated companies				421,425			421,425
Profit before taxation							<u>2,452,991</u>
Taxation							(424,932)
Profit after taxation							<u>2,028,059</u>
Segment assets	94,840,444	31,224,481	55,338,799	13,851,136	-	-	195,254,860
Unallocated assets							<u>10,892,306</u>
Total assets							<u>206,147,166</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 March 2020.

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 March 2020 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.

Chew Geok Lin Finance Sdn Bhd and WTB Corporation Sdn Bhd, wholly-owned subsidiaries of HLF Credit (Perak) Bhd which in turn is a wholly-owned subsidiary of the Bank, were dissolved on 18 May 2020.

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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	
	31/03/2020 RM'000	30/06/2019 RM'000	31/03/2020 RM'000	30/06/2019 RM'000
Principal amount				
Direct credit substitutes	140,906	117,740	87,736	64,395
Certain transaction related contingent items	1,508,507	1,446,851	1,276,523	1,261,524
Short-term self liquidating trade related contingencies	677,614	674,511	626,654	638,625
Irrevocable commitments to extend credit:				
- maturity more than one year	17,568,956	17,720,606	12,587,921	12,749,585
- maturity less than one year	21,783,986	19,020,280	17,607,225	15,541,640
Foreign exchange related contracts:				
- less than one year	46,449,926	34,829,534	39,118,083	33,337,605
- one year to less than five years	4,417,229	3,995,994	4,417,229	3,995,994
- five years and above	333,333	301,327	333,333	301,327
Interest rate related contracts:				
- less than one year	20,799,743	38,511,811	21,208,076	38,511,811
- one year to less than five years	30,266,908	34,300,635	30,466,908	35,195,635
- five years and above	2,768,083	3,170,389	2,918,083	3,320,389
Equity related contracts:				
- less than one year	463,471	591,385	463,471	591,386
- one year to less than five years	144,259	127,853	144,259	127,852
Credit related contracts:				
- five years and above	238,523	82,753	238,523	82,753
Unutilised credit card lines	7,357,413	7,276,500	7,357,413	7,276,500
Total	154,918,857	162,168,169	138,851,437	152,997,021

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.

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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 31/03/2020			
	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	-	1,889,343	-	1,889,343
- Quoted securities	7,350,502	-	-	7,350,502
- Unquoted securities	-	360,455	305,572	666,027
Financial investments at FVOCI				
- Money market instrument	-	16,280,613	-	16,280,613
- Quoted securities	3,130,245	-	-	3,130,245
- Unquoted securities	-	9,332,549	44,331	9,376,880
Derivative financial instruments	-	1,415,013	34,166	1,449,179
	<u>10,480,747</u>	<u>29,277,973</u>	<u>384,069</u>	<u>40,142,789</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	-	1,525,062	34,166	1,559,228
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,129,067	-	1,129,067
	<u>-</u>	<u>2,654,129</u>	<u>34,166</u>	<u>2,688,295</u>
<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 31/03/2020			
	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	-	1,759,516	-	1,759,516
- Quoted securities	7,350,502	-	-	7,350,502
- Unquoted securities	-	294,039	305,572	599,611
Financial investments at FVOCI				
- Money market instrument	-	13,058,238	-	13,058,238
- Quoted securities	3,130,245	-	-	3,130,245
- Unquoted securities	-	8,642,062	44,331	8,686,393
Derivative financial instruments	-	1,338,243	34,166	1,372,409
	<u>10,480,747</u>	<u>25,092,098</u>	<u>384,069</u>	<u>35,956,914</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	-	1,431,979	34,166	1,466,145
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	977,714	-	977,714
	<u>-</u>	<u>2,409,693</u>	<u>34,166</u>	<u>2,443,859</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 March 2020	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	-	-		367	367
Purchases	-	-		(31,567)	(31,567)
Settlements	-	-		57,554	57,554
At 31 March	<u>305,572</u>	<u>44,331</u>		<u>34,166</u>	<u>34,166</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2020	-	-		367	367

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	-	-	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	-	-	-

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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 March 2020	Financial Assets			Derivative financial instruments RM'000	Financial Liability Derivative 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	-	-		367	367
Purchases	-	-		(31,567)	(31,567)
Settlements	-	-		57,554	57,554
At 31 March	<u>305,572</u>	<u>44,331</u>		<u>34,166</u>	<u>34,166</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2020	-	-		367	367

The Bank 30 June 2019	Financial Assets			Derivative financial instruments RM'000	Financial Liability Derivative 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	-	-	-

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A34 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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A34 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 RM637.2 million for the current financial quarter ended 31 March 2020, a decrease of RM141.5 million or 18.2% as compared to previous corresponding quarter. The decrease in pre-tax profit was mainly due to lower net income of RM37.7 million, higher operating expenses of RM8.1 million and higher allowance for impairment losses on loans, advances and financing of RM121.2 million. However, this was mitigated by higher written back of impairment losses on financial investments and other financial assets of RM0.9 million and higher share of profit from associated companies of RM24.6 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 RM199.6 million for the third quarter ended 31 March 2020 as compared to previous corresponding quarter of RM276.2 million. The decrease in pre-tax profit was mainly contributed by lower total income, 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 RM201.4 million for the third quarter ended 31 March 2020 as compared to previous corresponding quarter of RM177.5 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.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM135.9 million for the third quarter ended 31 March 2020 as compared to previous corresponding quarter of RM112.7 million. The increase in pre-tax profit was mainly contributed by higher total income, lower operating expenses and lower allowance for impairment losses on financial investments and other financial assets.

International Banking

The International Banking's segment recorded a pre-tax profit of RM119.7 million for the third quarter ended 31 March 2020 as compared to previous corresponding quarter of RM154.5 million. The lower in pre-tax profit was mainly contributed by lower total income, higher operating expenses and higher allowance for impairment losses on loans, advances and financing, partially offset by and higher share of profit from associated companies in China.

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B1 Review of performance (continued)

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

The Group's pre-tax profit for the financial period ended 31 March 2020 stood at RM2,340.7 million, a decrease of RM112.3 million or 4.6% as compared to RM2,453.0 million in the previous financial period. The decrease was mainly due to higher operating expenses of RM21.4 million and allowance for impairment losses on loans, advances and financing of RM171.0 million. This was mitigated by higher net income of RM23.7 million and higher share of profit from associated companies of RM56.4 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM853.4 million for the financial period ended 31 March 2020 as compared to previous corresponding period of RM846.0 million. The increase in pre-tax profit was mainly contributed by lower allowance for impairment losses on loans, advances and financing, partially offset by lower total income and higher operating expenses.

Personal Financial Services's loan base grew from RM94.6 billion as at 31 March 2019 to RM99.8 billion as at 31 March 2020. Deposit base increased from RM87.1 billion to RM94.8 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM584.4 million for the financial period ended 31 March 2020 as compared to previous corresponding period of RM613.5 million. The decrease in pre-tax profit was mainly contributed by higher operating expenses and higher allowance for impairment losses on loans, advances and financing, partially offset by higher total income.

Business and Corporate Banking's loan base increased from RM31.2 billion as at 31 March 2019 to RM33.5 billion as at 31 March 2020. Deposit base decreased from RM35.9 billion to RM34.0 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM405.7 million for the financial period ended 31 March 2020 as compared to previous corresponding period of RM268.4 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 increased from RM54.0 billion as at 31 March 2019 to RM57.5 billion as at 31 March 2020.

International Banking

The International Banking's segment recorded a pre-tax profit of RM448.6 million for the financial period ended 31 March 2020 as compared to previous corresponding period of RM449.9 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 higher 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 RM637.2 million as compared to RM857.0 million in the preceding quarter, a decrease of RM219.8 million mainly contributed by lower net income of RM108.5 million, higher operating expenses of RM6.6 million, higher allowance for impairment losses on loans, advances and financing of RM106.5 million and lower share of profit from associated company of RM1.8 million. This was mitigated by written back of allowance for impairment losses on financial investments and other financial assets of RM3.6 million.

B3 Current year prospects

Growth prospects of the Malaysian economy has turned increasingly challenging amid protracted uncertainties surrounding the Covid-19 pandemic. This will have major repercussion not only on health, but also far-reaching social and economic implications. Recent plunge in global crude oil prices as well as demand and supply disruption globally are expected to exacerbate the downside risks to domestic growth prospects. The growth outlook of the Malaysian economy would therefore hinges heavily on the containment of the pandemic, effectiveness of the recently introduced fiscal and monetary stimulus and how the world rides out of a global recession.

Despite the challenging operating environment ahead, we remain committed in our vision to build a highly digital and innovative ASEAN financial services institution. Our priorities are to build products and services propositions that ring true to our brand promise of “built around you”, as we are steadfast in our commitment to help the local communities through this very difficult period, where SMEs and individuals especially, are the most vulnerable given cash flow issues during this exceptional circumstances. We will continue to provide the necessary support and collaborate closely with our customers to make sure they are able to return to a state of normalcy once the fight against Covid-19 is behind us.

B4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

B5 Taxation

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	118,202	164,115	469,195	481,892
Transfer to deferred taxation	(15,798)	(19,358)	(53,662)	(56,960)
	<u>102,404</u>	<u>144,757</u>	<u>415,533</u>	<u>424,932</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	81,967	130,500	362,086	382,822
Transfer to deferred taxation	(7,947)	(13,650)	(34,874)	(38,864)
	<u>74,020</u>	<u>116,850</u>	<u>327,212</u>	<u>343,958</u>

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B6 Profit on sale of unquoted investments/properties

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

B7 Purchase and disposal of quoted securities

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

B8 Status of corporate proposals

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

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B9 Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2020:

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	40,082,812	627,138	(401,899)
(ii) 1 year to 3 years	268,968	4,134	2
(iii) More than 3 years	12,391	237	-
Swaps			
(i) Less than 1 year	5,166,545	23,464	(121,926)
(ii) 1 year to 3 years	2,567,600	88,002	(42,235)
(iii) More than 3 years	1,901,603	78,909	(1,896)
Options			
(i) Less than 1 year	1,200,569	10,189	(12,802)
Interest rate related contracts			
Futures			
(i) Less than 1 year	2,581,501	-	-
Swaps			
(i) Less than 1 year	18,218,242	76,519	(118,065)
(ii) 1 year to 3 years	20,335,784	170,009	(372,587)
(iii) More than 3 years	12,699,207	315,450	(432,690)
Equity related contracts			
(i) Less than 1 year	463,471	33,380	(33,382)
(ii) 1 year to 3 years	144,259	787	(787)
Credit related contracts			
(i) More than 3 years	238,523	20,961	(20,961)
Total	105,881,475	1,449,179	(1,559,228)

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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 contracts			
(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 March 2020:

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	32,879,972	549,750	(309,540)
(ii) 1 year to 3 years	268,968	4,134	-
(iii) More than 3 years	12,391	237	-
Swaps			
(i) Less than 1 year	5,037,542	23,464	(121,424)
(ii) 1 year to 3 years	2,567,600	88,002	(42,237)
(iii) More than 3 years	1,901,603	78,912	(1,897)
Options			
(i) Less than 1 year	1,200,569	10,189	(12,802)
Interest rate related contracts			
Futures			
(i) Less than 1 year	2,581,500	-	-
Swaps			
(i) Less than 1 year	18,626,576	77,367	(116,340)
(ii) 1 year to 3 years	20,535,784	171,286	(374,096)
(iii) More than 3 years	12,849,207	313,941	(432,681)
Equity related contracts			
(i) Less than 1 year	463,471	33,380	(33,380)
(ii) 1 year to 3 years	144,259	787	(787)
Credit related contracts			
(i) More than 3 years	238,523	20,960	(20,961)
Total	99,307,965	1,372,409	(1,466,145)

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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 RM1,261,000 (30 June 2019: RM41,912,000) and RM53,453,233,000 (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 RM1,473,383,000 (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

For financial period ended 31 March 2020, a total single tier dividend of 16.0 sen per share has been paid (2018/2019: single tier dividend of 16.0 sen per share).

B12 Earnings per share

(a) Basic earnings per share

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	534,790	633,898	1,925,182	2,028,059
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	(121,129)	(121,837)	(121,129)	(121,837)
	2,046,589	2,045,881	2,046,589	2,045,881
Basic earnings per share (sen)	26.1	31.0	94.1	99.1
<u>The Bank</u>				
Net profit attributable to equity holders	285,250	415,712	1,172,194	1,392,147
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	(121,129)	(121,837)	(121,129)	(121,837)
	2,046,589	2,045,881	2,046,589	2,045,881
Basic earnings per share (sen)	13.9	20.3	57.3	68.0

HONG LEONG BANK BERHAD
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B12 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2020 RM'000	31/03/2019 RM'000	31/03/2020 RM'000	31/03/2019 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	534,790	633,898	1,925,182	2,028,059
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,046,589	2,045,881	2,046,589	2,045,881
- adjustment for ESS	556	4,527	556	4,527
	2,047,145	2,050,408	2,047,145	2,050,408
Fully diluted earnings per share (sen)	26.1	30.9	94.0	98.9
<u>The Bank</u>				
Net profit attributable to equity holders	285,250	415,712	1,172,194	1,392,147
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,046,589	2,045,881	2,046,589	2,045,881
- adjustment for ESS	556	4,527	556	4,527
	2,047,145	2,050,408	2,047,145	2,050,408
Fully diluted earnings per share (sen)	13.9	20.3	57.3	67.9