

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

Condensed Financial Statements
Unaudited Statements of Financial Position As At 31 March 2018

		The Group		The Bank	
	Note	As at 31/03/2018 RM'000	As at 30/06/2017 RM'000	As at 31/03/2018 RM'000	As at 30/06/2017 RM'000
<u>ASSETS</u>					
Cash and short-term funds		6,270,150	10,823,310	5,708,954	10,199,194
Deposits and placements with banks and other financial institutions		4,304,723	826,743	4,031,092	393,664
Securities purchased under resale agreements		-	300,880	-	300,880
Financial assets held-for-trading	A8	4,115,235	5,688,165	3,522,404	5,405,310
Financial investments available-for-sale	A9	30,974,937	27,654,217	28,114,947	24,886,280
Financial investments held-to-maturity	A10	13,131,163	13,060,604	10,179,611	10,408,793
Loans, advances and financing	A11	124,408,884	123,990,941	102,061,704	102,538,550
Other assets	A12	1,482,497	1,407,731	1,169,147	1,309,339
Derivative financial instruments		1,000,723	953,042	993,143	947,583
Amount due from subsidiaries		-	-	87,668	13,484
Statutory deposits with Central Banks		4,247,183	3,738,230	3,408,881	2,986,547
Subsidiary companies		-	-	2,145,972	1,662,409
Investment in associated company		3,760,896	3,466,891	946,525	946,525
Investment in joint venture	A13	175,337	169,185	76,711	76,711
Property and equipment		1,419,167	1,423,097	781,348	774,999
Intangible assets		161,147	213,323	145,417	194,870
Goodwill		1,831,312	1,831,312	1,771,547	1,771,547
Deferred tax assets		1,582	4,851	-	-
TOTAL ASSETS		197,284,936	195,552,522	165,145,071	164,816,685
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
Deposits from customers	A14	154,214,996	155,233,205	127,990,742	129,859,403
Deposits and placements of banks and other financial institutions	A15	4,449,575	5,486,692	4,446,140	5,460,076
Obligations on securities sold under repurchase agreements		4,362,733	2,829,617	4,337,596	2,801,366
Bills and acceptances payable		746,013	364,675	709,137	348,841
Other liabilities	A16	4,592,009	4,052,667	3,882,950	3,475,689
Derivative financial instruments		1,662,662	1,405,652	1,610,084	1,363,654
Recourse obligation on loans sold to Cagamas Berhad		201,057	202,926	201,057	202,926
Tier 2 subordinated bonds	A17	2,429,960	2,402,145	2,024,557	2,001,642
Multi-currency Additional Tier 1 capital securities	A18	406,219	-	406,219	-
Innovative Tier 1 capital securities	A19	502,627	515,623	502,627	515,623
Provision for taxation		252,704	201,713	210,196	173,953
Deferred tax liabilities		116,766	172,194	115,740	171,131
TOTAL LIABILITIES		173,937,321	172,867,109	146,437,045	146,374,304
Share capital		7,739,063	7,739,063	7,739,063	7,739,063
Reserves		16,340,819	15,680,311	11,701,230	11,437,279
Less: Treasury shares		(732,267)	(733,961)	(732,267)	(733,961)
TOTAL SHAREHOLDERS' EQUITY		23,347,615	22,685,413	18,708,026	18,442,381
TOTAL LIABILITIES AND EQUITY		197,284,936	195,552,522	165,145,071	164,816,685
<u>COMMITMENTS AND CONTINGENCIES</u>	A30	204,630,632	163,004,495	198,868,537	156,405,399

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

11.41 11.09 9.14 9.02

* 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 2017.

HONG LEONG BANK BERHAD
(97141-X)
(Incorporated in Malaysia)
Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 March 2018

	Note	The Group			
		Current Quarter Ended 31/03/2018 RM'000	Corresponding Quarter Ended 31/03/2017 RM'000	Current Period Ended 31/03/2018 RM'000	Corresponding Period Ended 31/03/2017 RM'000
Interest income	A20	1,581,537	1,535,485	4,738,368	4,620,944
Interest expense	A21	(868,015)	(809,108)	(2,535,655)	(2,495,548)
Net interest income		713,522	726,377	2,202,713	2,125,396
Net income from Islamic Banking business	A22	166,680	139,287	483,323	407,298
Other operating income	A23	375,864	258,085	977,215	866,037
Net income		1,256,066	1,123,749	3,663,251	3,398,731
Other operating expenses	A24	(526,636)	(500,864)	(1,549,623)	(1,492,250)
Operating profit before allowances		729,430	622,885	2,113,628	1,906,481
Allowance for impairment losses on loans, advances and financing	A25	(12,959)	(46,053)	(66,848)	(97,488)
Write back of impairment losses on financial investments		1,943	2,563	2,499	829
		718,414	579,395	2,049,279	1,809,822
Share of profit after tax of equity accounted associated company		131,300	112,794	404,431	241,810
Share of profit after tax of equity accounted joint venture		5,412	4,855	14,907	16,661
Profit before taxation		855,126	697,044	2,468,617	2,068,293
Taxation	B5	(165,095)	(127,507)	(456,547)	(406,194)
Net profit for the financial period		690,031	569,537	2,012,070	1,662,099
Attributable to:					
Owners of the parent		690,031	569,537	2,012,070	1,662,099
Earnings per share - basic (sen)	B12(a)	33.7	27.8	98.4	81.3
Earnings per share - fully diluted (sen)	B12(b)	33.7	27.8	98.2	81.2

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 March 2018

	The Group			
	Current Quarter Ended 31/03/2018 RM'000	Corresponding Quarter Ended 31/03/2017 RM'000	Current Period Ended 31/03/2018 RM'000	Corresponding Period Ended 31/03/2017 RM'000
Net profit for the financial period	690,031	569,537	2,012,070	1,662,099
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss)/income of associated company	-	(2,590)	525	(6,945)
Currency translation differences	(128,241)	(20,311)	(283,063)	315,081
Net fair value changes on financial investments available-for-sale	(106,882)	44,817	(168,616)	(208,920)
Net fair value changes in cash flow hedge	36	149	1,405	1,291
Income tax relating to components of other comprehensive loss/(income)	22,251	(9,104)	34,572	49,215
Other comprehensive (loss)/income for the financial period, net of tax	(212,836)	12,961	(415,177)	149,722
Total comprehensive income for the financial period	<u>477,195</u>	<u>582,498</u>	<u>1,596,893</u>	<u>1,811,821</u>
Attributable to:				
- Owners of the parent	<u>477,195</u>	<u>582,498</u>	<u>1,596,893</u>	<u>1,811,821</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

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

Condensed Financial Statements
Unaudited Statements of Income
For The Financial Period Ended 31 March 2018

	Note	The Bank			
		Current Quarter Ended 31/03/2018 RM'000	Corresponding Quarter Ended 31/03/2017 RM'000	Current Period Ended 31/03/2018 RM'000	Corresponding Period Ended 31/03/2017 RM'000
Interest income	A20	1,563,096	1,511,161	4,677,664	4,556,019
Interest expense	A21	(862,707)	(800,342)	(2,513,054)	(2,468,924)
Net interest income		700,389	710,819	2,164,610	2,087,095
Other operating income	A23	415,649	255,396	1,015,029	985,434
Net income		1,116,038	966,215	3,179,639	3,072,529
Other operating expenses	A24	(455,254)	(430,790)	(1,356,522)	(1,292,098)
Operating profit before allowances		660,784	535,425	1,823,117	1,780,431
Allowance for impairment losses on loans, advances and financing	A25	(3,528)	(36,192)	(35,454)	(71,225)
Write back of/(allowance for) impairment losses on financial investments		1,943	1,447	2,499	(287)
Profit before taxation		659,199	500,680	1,790,162	1,708,919
Taxation	B5	(140,952)	(108,158)	(385,341)	(385,271)
Net profit for the financial period		518,247	392,522	1,404,821	1,323,648
Attributable to:					
Owners of the parent		518,247	392,522	1,404,821	1,323,648
Earnings per share - basic (sen)	B12(a)	25.3	19.2	68.7	64.7
Earnings per share - fully diluted (sen)	B12(b)	25.3	19.2	68.6	64.7

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

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

Condensed Financial Statements
Unaudited Statements of Comprehensive Income
For The Financial Period Ended 31 March 2018

	The Bank			
	Current Quarter Ended 31/03/2018 RM'000	Corresponding Quarter Ended 31/03/2017 RM'000	Current Period Ended 31/03/2018 RM'000	Corresponding Period Ended 31/03/2017 RM'000
Net profit for the financial period	518,247	392,522	1,404,821	1,323,648
Other comprehensive (loss)/income:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences	(36,276)	11,914	(71,586)	64,704
Net fair value changes on financial investments available-for-sale	(113,063)	45,785	(168,839)	(182,138)
Net fair value changes in cash flow hedge	36	149	1,405	1,291
Income tax relating to components of other comprehensive loss/(income)	23,667	(9,207)	34,535	42,985
Other comprehensive (loss)/income for the financial period, net of tax	(125,636)	48,641	(204,485)	(73,158)
Total comprehensive income for the financial period	392,611	441,163	1,200,336	1,250,490

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG BANK BERHAD
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Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2018

Attributable to owners of the parent

<u>The Group</u>	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserves * RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2017	7,739,063	-	-	342,429	(1,068)	18,543	678,483	1,081,342	13,560,582	(733,961)	22,685,413
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	2,012,070	-	2,012,070
- Share of other comprehensive income of associated company	-	-	-	525	-	-	-	-	-	-	525
- Net fair value changes in financial investments available-for-sale	-	-	-	(133,707)	-	-	-	-	-	-	(133,707)
- Net fair value changes in cash flow hedge	-	-	-	-	1,068	-	-	-	-	-	1,068
- Currency translation differences	-	-	-	-	-	-	-	(283,063)	-	-	(283,063)
Total comprehensive (loss)/income	-	-	-	(133,182)	1,068	-	-	(283,063)	2,012,070	-	1,596,893
<u>Transactions with owners</u>											
Transfer to regulatory reserve	-	-	-	-	-	-	26,690	-	(26,690)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	-	-	-	-	(3,036)	-	-	1,342	1,694	-
Option charge arising from ESS granted	-	-	-	-	-	6,322	-	-	-	-	6,322
Total transactions with owners	-	-	-	-	-	3,286	26,690	-	(966,361)	1,694	(934,691)
At 31 March 2018	7,739,063	-	-	209,247	-	21,829	705,173	798,279	14,606,291	(732,267)	23,347,615
At 1 July 2016	2,167,718	5,571,345	3,920,716	318,319	(1,718)	10,205	598,772	854,465	8,412,365	(735,040)	21,117,147
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,662,099	-	1,662,099
- Share of other comprehensive loss of associated company	-	-	-	(6,945)	-	-	-	-	-	-	(6,945)
- Net fair value changes in financial investments available-for-sale	-	-	-	(159,395)	-	-	-	-	-	-	(159,395)
- Net fair value changes in cash flow hedge	-	-	-	-	981	-	-	-	-	-	981
- Currency translation differences	-	-	-	-	-	-	-	315,081	-	-	315,081
Total comprehensive (loss)/income	-	-	-	(166,340)	981	-	-	315,081	1,662,099	-	1,811,821
<u>Transactions with owners</u>											
Transfer to statutory reserve	-	-	43,668	-	-	-	-	-	(43,668)	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	44,220	-	(44,220)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(838,658)	-	(838,658)
ESS exercised	-	-	-	-	-	(1,933)	-	-	854	1,079	-
Option charge arising from ESS granted	-	-	-	-	-	7,661	-	-	-	-	7,661
Total transactions with owners	-	-	43,668	-	-	5,728	44,220	-	(925,692)	1,079	(830,997)
At 31 March 2017	2,167,718	5,571,345	3,964,384	151,979	(737)	15,933	642,992	1,169,546	9,148,772	(733,961)	22,097,971

* Comprise regulatory reserves maintained by the Group's banking subsidiaries of RM693,928,000 (31 March 2017: RM631,747,000) in accordance with BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2017: RM11,245,000)

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HONG LEONG BANK BERHAD
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(Incorporated in Malaysia)

Condensed Financial Statements
Unaudited Statements of Changes in Equity For The Financial Period Ended 31 March 2018

	Attributable to owners of the parent										
<u>The Bank</u>	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	Cash Flow Hedge Reserve RM'000	Share Options Reserve RM'000	Regulatory Reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 July 2017	7,739,063	-	-	360,928	(1,068)	18,543	571,678	241,993	10,245,205	(733,961)	18,442,381
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,404,821	-	1,404,821
- Net fair value changes in financial investments available-for-sale	-	-	-	(133,967)	-	-	-	-	-	-	(133,967)
- Net fair value changes in cash flow hedge	-	-	-	-	1,068	-	-	-	-	-	1,068
- Currency translation differences	-	-	-	-	-	-	-	(71,586)	-	-	(71,586)
Total comprehensive (loss)/income	-	-	-	(133,967)	1,068	-	-	(71,586)	1,404,821	-	1,200,336
<u>Transactions with owners</u>											
Transfer to regulatory reserve	-	-	-	-	-	-	24,479	-	(24,479)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(941,013)	-	(941,013)
ESS exercised	-	-	-	-	-	(3,036)	-	-	1,342	1,694	-
Option charge arising from ESS granted	-	-	-	-	-	6,322	-	-	-	-	6,322
Total transactions with owners	-	-	-	-	-	3,286	24,479	-	(964,150)	1,694	(934,691)
At 31 March 2018	7,739,063	-	-	226,961	-	21,829	596,157	170,407	10,685,876	(732,267)	18,708,026
At 1 July 2016	2,167,718	5,571,345	3,380,604	310,050	(1,718)	10,205	495,008	197,537	6,035,024	(735,040)	17,430,733
<u>Comprehensive income</u>											
Net profit for the financial period	-	-	-	-	-	-	-	-	1,323,648	-	1,323,648
- Net fair value changes in financial investments available-for-sale	-	-	-	(138,843)	-	-	-	-	-	-	(138,843)
- Net fair value changes in cash flow hedge	-	-	-	-	981	-	-	-	-	-	981
- Currency translation differences	-	-	-	-	-	-	-	64,704	-	-	64,704
Total comprehensive (loss)/income	-	-	-	(138,843)	981	-	-	64,704	1,323,648	-	1,250,490
<u>Transactions with owners</u>											
Transfer to regulatory reserve	-	-	-	-	-	-	27,054	-	(27,054)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(838,658)	-	(838,658)
ESS exercised	-	-	-	-	-	(1,933)	-	-	854	1,079	-
Option charge arising from ESS granted	-	-	-	-	-	7,661	-	-	-	-	7,661
Total transactions with owners	-	-	-	-	-	5,728	27,054	-	(864,858)	1,079	(830,997)
At 31 March 2017	2,167,718	5,571,345	3,380,604	171,207	(737)	15,933	522,062	262,241	6,493,814	(733,961)	17,850,226

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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 2018

	The Group		The Bank	
	Financial Period Ended 31/03/2018 RM'000	Financial Period Ended 31/03/2017 RM'000	Financial Period Ended 31/03/2018 RM'000	Financial Period Ended 31/03/2017 RM'000
Profit before taxation	2,468,617	2,068,293	1,790,162	1,708,919
Adjustments for non-cash items	(1,035,359)	(638,401)	(790,169)	(570,236)
Operating profit before working capital changes	1,433,258	1,429,892	999,993	1,138,683
Changes in working capital:				
Net changes in operating assets	(3,189,339)	(759,656)	(1,723,313)	927,866
Net changes in operating liabilities	549,553	4,423,098	(432,723)	1,637,353
Income taxes and zakat paid	(309,834)	(191,673)	(268,572)	(159,629)
Net cash (used in)/generated from operating activities	<u>(1,516,362)</u>	<u>4,901,661</u>	<u>(1,424,615)</u>	<u>3,544,273</u>
Cash flows from investing activities				
Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	-
Net purchases of financial investments available-for-sale	(2,802,201)	(3,489,363)	(2,713,378)	(2,746,022)
Net proceeds/(purchases) of financial investments held-to-maturity	209,475	(845,686)	505,597	(56,409)
Purchase of property and equipment	(94,796)	(114,860)	(91,931)	(106,323)
Net proceeds from sale of property and equipment	5,490	4,239	5,456	4,205
Purchase of intangible assets	(5,580)	(11,837)	(4,035)	(11,421)
Dividends received on financial investments available-for-sale	205,638	189,077	205,638	189,077
Investment in subsidiary company	-	-	(76,703)	-
Dividend from associated company	-	88,634	-	88,634
Dividend from joint venture	3,563	3,428	3,563	3,428
Dividends from subsidiary companies	-	-	43,400	-
Net cash used in investing activities	<u>(2,478,411)</u>	<u>(4,176,368)</u>	<u>(2,522,393)</u>	<u>(2,634,831)</u>
Cash flows from financing activities				
Dividends paid	(941,013)	(838,658)	(941,013)	(838,658)
Proceeds from debt issuance				
- Multi-currency Additional Tier 1 capital securities	400,000	-	400,000	-
Interest paid on subordinated obligations	(41,174)	(74,473)	(46,074)	(64,726)
Interest paid on Multi-currency Additional Tier 1 capital securities	(1,414)	-	(683)	-
Interest paid on innovative Tier 1 capital securities	(37,602)	(35,355)	(37,602)	(35,355)
Interest paid on recourse obligation on loans sold to Cagamas	(7,576)	-	(7,576)	-
Drawdown of borrowings	-	(388,436)	-	-
Net cash used in financing activities	<u>(628,779)</u>	<u>(1,336,922)</u>	<u>(632,948)</u>	<u>(938,739)</u>
Net decrease in cash and cash equivalents	(4,623,552)	(611,629)	(4,579,956)	(29,297)
Currency translation differences	(161,815)	119,851	(69,830)	63,541
Cash and cash equivalents at the beginning of financial period	10,388,873	8,524,566	9,578,350	6,690,848
Cash and cash equivalents at the end of financial period	<u>5,603,506</u>	<u>8,032,788</u>	<u>4,928,564</u>	<u>6,725,092</u>

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Condensed Financial Statements
Unaudited Condensed Statements of Cash Flows
For The Financial Period Ended 31 March 2018

	The Group		The Bank	
	Financial Period Ended 31/03/2018 RM'000	Financial Period Ended 31/03/2017 RM'000	Financial Period Ended 31/03/2018 RM'000	Financial Period Ended 31/03/2017 RM'000
Cash and short-term funds	6,270,150	7,530,048	5,708,954	6,687,169
Deposits and placements with banks and other financial institutions	4,304,723	2,083,165	4,031,092	1,618,041
	<u>10,574,873</u>	<u>9,613,213</u>	<u>9,740,046</u>	<u>8,305,210</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	(4,971,367)	(1,580,425)	(4,811,482)	(1,580,118)
	<u>5,603,506</u>	<u>8,032,788</u>	<u>4,928,564</u>	<u>6,725,092</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017.

HONG LEONG BANK BERHAD
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Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Issued by Bank Negara Malaysia ("BNM") on 28 January 2015

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR FINANCIAL PERIOD ENDED 31 MARCH 2018**

A1 Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2018 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and Hong Leong Bank Berhad ("HLB" or "the Bank") for the financial year ended 30 June 2017. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2017.

The unaudited condensed financial statements incorporate the activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2017, and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2017:

- (i) Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative'
Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'

The adoption of the above amendments to MFRSs are not expected to have impact on the financial results of the Group and the Bank.

A2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2017

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2017.

A3 Seasonality or cyclicity of operations

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

A4 Exceptional items or unusual events affecting financial statements

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

A5 Variation from financial estimates reported in preceding financial period

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

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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 2018:

a) Share Buy-back

The total number of shares bought back, all of which were held as treasury shares as at 31 March 2018 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 2018, the trust did not purchase any new shares. As at 31 March 2018, the total number of Treasury Shares for ESS was 40,786,550 pursuant to the Bank's ESS. The Treasury Shares have an average carrying value of RM7.37 per share.

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

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

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

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

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

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

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

During the financial period ended 31 March 2018, a total of 8,945,242 share options lapsed arising from the resignation of some option holders and a total of 229,992 ordinary shares were vested and transferred pursuant to the Bank's ESS.

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

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

On 30 November 2017, the Bank issued a nominal value RM400.0 million perpetual multi-currency Additional Tier 1 capital securities ("capital securities"). 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 a Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 perpetual subordinated sukuk wakalah issued by Hong Leong Islamic Bank Berhad ("HLISB"), a wholly-owned subsidiary of the Bank.

A7 Dividends paid

A final single tier dividend of 30.0 sen per share in respect of financial year ended 30 June 2017 amounting to RM613.7 million was paid on 15 November 2017.

An interim single tier dividend of 16.0 sen per share in respect of financial year ended 30 June 2018 amounting to RM327.3 million was paid on 28 March 2018.

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A8 Financial assets held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Bank Negara Malaysia bills	21,814	-	-	-
Government treasury bills	234,304	-	234,304	-
Malaysian Government securities	424,393	433,166	424,393	433,166
Malaysian Government investment certificates	1,299,306	684,572	1,125,676	511,679
Negotiable instruments of deposit	2,101,587	3,946,521	1,704,200	4,027,953
Cagamas bonds	-	1,013	-	1,013
Other Government securities	-	47,996	-	47,996
	<u>4,081,404</u>	<u>5,113,268</u>	<u>3,488,573</u>	<u>5,021,807</u>
Quoted securities:				
Foreign currency bonds in Malaysia	7,719	195,592	7,719	195,592
Foreign currency bonds outside Malaysia	26,112	62,860	26,112	62,860
Unquoted securities:				
Malaysian Government sukuk	-	191,394	-	-
Corporate bonds and sukuk	-	96,525	-	96,525
Foreign currency bonds outside Malaysia	-	28,526	-	28,526
Total financial assets held-for-trading	<u><u>4,115,235</u></u>	<u><u>5,688,165</u></u>	<u><u>3,522,404</u></u>	<u><u>5,405,310</u></u>

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A9 Financial investments available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Money market instruments:				
Malaysian Government securities	-	130,659	-	130,659
Malaysian Government investment certificates	4,438,765	4,385,118	3,226,942	3,086,177
Other Government securities	613,582	329,592	550,739	239,189
Cagamas bonds	1,442,175	1,388,060	1,274,613	1,247,119
Khazanah bonds	586,864	406,904	552,267	406,904
	<u>7,081,386</u>	<u>6,640,333</u>	<u>5,604,561</u>	<u>5,110,048</u>
Quoted securities:				
Shares outside Malaysia	26	27	26	27
Wholesale fund/unit trust	7,107,884	5,203,264	7,107,884	5,203,264
Foreign currency bonds in Malaysia	3,074,522	3,056,104	3,063,767	3,043,838
Foreign currency bonds outside Malaysia	1,248,452	1,818,131	1,248,452	1,818,131
Unquoted securities:				
Malaysian Government sukuk	2,192,597	2,040,793	1,834,292	1,849,179
Corporate bonds and sukuk	8,007,137	7,508,144	6,993,032	6,474,372
Shares in Malaysia	454,683	454,740	454,683	454,740
Shares outside Malaysia	83,398	149,361	83,398	149,361
Foreign currency bonds in Malaysia	1,005,256	294,300	1,005,256	294,300
Foreign currency bonds outside Malaysia	719,596	489,020	719,596	489,020
Total financial investments available-for-sale	<u><u>30,974,937</u></u>	<u><u>27,654,217</u></u>	<u><u>28,114,947</u></u>	<u><u>24,886,280</u></u>

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A10 Financial investments held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Money market instruments:				
Government treasury bills	51,124	57,367	51,124	57,367
Malaysian Government securities	1,358,886	2,553,716	1,358,886	2,553,716
Malaysian Government investment certificates	9,737,121	8,964,061	7,477,169	6,661,173
Other Government securities	454,100	484,230	369,376	390,232
	<u>11,601,231</u>	<u>12,059,374</u>	<u>9,256,555</u>	<u>9,662,488</u>
Unquoted securities:				
Loan stocks	48	48	48	48
Malaysian Government sukuk	1,403,785	814,591	796,909	559,666
Corporate bonds and sukuk	486	486	486	486
Redeemable preference shares	30,866	32,066	30,866	32,066
Foreign currency bonds outside Malaysia	94,747	154,039	94,747	154,039
	<u>1,529,932</u>	<u>1,001,230</u>	<u>923,056</u>	<u>746,305</u>
Total financial investments held-to-maturity	<u>13,131,163</u>	<u>13,060,604</u>	<u>10,179,611</u>	<u>10,408,793</u>

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A11 Loans, advances and financing

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Overdrafts	3,607,735	3,776,243	3,183,056	3,346,825
Term loans/financing:				
- Housing and shop loans/financing	69,197,427	65,998,057	56,040,116	54,037,251
- Syndicated/term loans or financing	9,539,425	9,225,253	7,766,853	7,773,693
- Hire purchase receivables	17,246,882	18,159,364	13,855,528	14,588,595
- Other term loans/financing	7,064,879	7,898,856	5,108,899	5,739,809
Credit/charge card receivables	3,631,945	3,997,701	3,631,945	3,997,701
Bills receivable	915,787	1,081,635	840,761	1,000,654
Trust receipts	325,172	314,042	298,626	265,020
Claims on customers under acceptance credits	7,210,612	7,451,325	6,745,429	6,967,783
Revolving credit	6,073,409	6,611,688	4,801,533	5,171,465
Staff loans/financing	145,102	146,672	140,507	141,834
Other loans/financing	468,613	485,668	468,609	485,664
Gross loans, advances and financing	<u>125,426,988</u>	<u>125,146,504</u>	<u>102,881,862</u>	<u>103,516,294</u>
Fair value changes arising from fair value hedges	(1,929)	(34)	(1,929)	(34)
Unamortised fair value changes arising from terminated fair value hedges	(13)	(36)	-	-
Allowance for impaired loans, advances and financing:				
- Collective assessment allowance	(809,046)	(830,067)	(636,242)	(666,787)
- Individual assessment allowance	(207,116)	(325,426)	(181,987)	(310,923)
Total net loans, advances and financing	<u><u>124,408,884</u></u>	<u><u>123,990,941</u></u>	<u><u>102,061,704</u></u>	<u><u>102,538,550</u></u>

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group and the Bank amounting to RM180,758,000 (2017: RM184,571,000) and RM180,758,000 (2017: RM184,571,000) 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>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Domestic non-bank financial institutions	413,815	651,907	202,515	226,859
Domestic business enterprises:				
- small and medium enterprises	20,635,787	20,377,235	17,969,836	17,888,565
- others	14,175,795	15,370,541	11,402,674	12,440,268
Government and statutory bodies	19,681	29,072	8,042	17,492
Individuals	83,200,543	81,370,008	66,571,745	65,852,784
Other domestic entities	271,919	79,052	225,721	21,655
Foreign entities	6,709,448	7,268,689	6,501,329	7,068,671
Gross loans, advances and financing	<u>125,426,988</u>	<u>125,146,504</u>	<u>102,881,862</u>	<u>103,516,294</u>

A11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fixed rate:				
- Housing and shop loans/financing	3,264,802	4,753,906	2,257,561	3,371,016
- Hire purchase receivables	16,907,485	17,747,828	13,516,835	14,177,059
- Other fixed rate loan/financing	6,266,481	6,928,471	5,083,165	5,818,422
Variable rate:				
- Base rate/base lending rate plus	83,142,742	78,636,505	69,080,474	66,091,018
- Cost plus	15,491,885	16,681,983	12,943,827	14,058,779
- Other variables rates	353,593	397,811	-	-
Gross loans, advances and financing	<u>125,426,988</u>	<u>125,146,504</u>	<u>102,881,862</u>	<u>103,516,294</u>

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A11 Loans, advances and financing (continued)

A11c By economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	403,400	490,252	401,900	486,882
Purchase of transport vehicles	16,961,644	17,583,583	13,522,470	13,949,451
Purchase of landed properties				
- residential	60,225,698	56,860,638	48,167,053	46,001,510
- non-residential	15,424,240	15,774,407	13,926,414	14,427,100
Purchase of fixed assets (excluding landed properties)	440,040	379,050	384,811	326,595
Personal use	3,242,109	3,563,125	2,206,695	2,611,693
Credit card	3,631,945	3,997,701	3,631,945	3,997,701
Construction	1,558,662	1,238,539	1,073,368	894,464
Mergers and acquisition	168,440	201,182	168,440	201,182
Working capital	21,977,838	23,190,404	18,421,592	19,087,337
Other purpose	1,392,972	1,867,623	977,174	1,532,379
Gross loans, advances and financing	<u>125,426,988</u>	<u>125,146,504</u>	<u>102,881,862</u>	<u>103,516,294</u>

A11d By geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	119,221,231	118,561,256	97,928,102	98,137,161
Singapore	4,953,760	5,379,133	4,953,760	5,379,133
Vietnam	353,593	397,813	-	-
Cambodia	898,404	808,302	-	-
Gross loans, advances and financing	<u>125,426,988</u>	<u>125,146,504</u>	<u>102,881,862</u>	<u>103,516,294</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>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Within one year	24,588,598	26,570,075	22,181,190	23,576,443
One year to less than three years	5,949,128	5,481,213	4,975,075	4,617,290
Three years to less than five years	8,995,838	10,265,641	7,121,515	8,396,767
Five years and more	85,893,424	82,829,575	68,604,082	66,925,794
Gross loans, advances and financing	<u>125,426,988</u>	<u>125,146,504</u>	<u>102,881,862</u>	<u>103,516,294</u>

A11f Impaired loans, advances and financing by economic purpose

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Purchase of securities	1,576	2,196	1,576	2,196
Purchase of transport vehicles	129,290	142,643	97,512	108,758
Purchase of landed properties				
- residential	304,955	306,758	218,311	225,075
- non-residential	152,567	133,296	150,895	131,408
Purchase of fixed assets (excluding landed properties)	1,073	3,332	1,073	2,101
Personal use	46,957	44,066	31,592	34,086
Credit card	39,961	48,005	39,961	48,005
Construction	4,770	7,209	2,962	5,399
Working capital	373,404	499,734	312,129	444,903
Other purpose	3,430	16,201	2,842	16,051
Gross impaired loans, advances and financing	<u>1,057,983</u>	<u>1,203,440</u>	<u>858,853</u>	<u>1,017,982</u>

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A11 Loans, advances and financing (continued)

A11g Impaired loans, advances and financing by geographical distribution

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	1,041,583	1,197,355	850,308	1,017,511
Singapore	8,545	471	8,545	471
Vietnam	4,178	5,098	-	-
Cambodia	3,677	516	-	-
Gross impaired loans, advances and financing	<u>1,057,983</u>	<u>1,203,440</u>	<u>858,853</u>	<u>1,017,982</u>

A11h Movements in impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 July	1,203,440	956,579	1,017,982	836,568
Classified as impaired during the financial year	1,211,571	1,813,591	941,013	1,466,120
Reclassified as non-impaired during the financial year	(675,112)	(821,519)	(502,891)	(639,505)
Amount written back in respect of recoveries	(294,891)	(336,403)	(255,043)	(285,379)
Amount written off	(380,070)	(407,656)	(335,829)	(358,292)
Exchange difference	(6,955)	(1,152)	(6,379)	(1,530)
At 31 March	<u>1,057,983</u>	<u>1,203,440</u>	<u>858,853</u>	<u>1,017,982</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.8%</u>	<u>1.0%</u>	<u>0.8%</u>	<u>1.0%</u>

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A11 Loans, advances and financing (continued)

A11i Movements in allowance for impaired loans, advances and financing are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Collective Assessment Allowance</u>				
At 1 July	830,067	856,057	666,787	714,272
Net allowances made during the financial period/year	228,174	283,057	175,317	217,958
Amount transferred to individual assessment	-	(729)	-	(744)
Amount written off	(237,524)	(298,120)	(196,966)	(256,059)
Unwinding income	(10,706)	(10,732)	(8,533)	(8,911)
Exchange difference	(965)	534	(363)	271
At 31 March	<u>809,046</u>	<u>830,067</u>	<u>636,242</u>	<u>666,787</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>	<u>1.20%</u>
<u>Individual Assessment Allowance</u>				
At 1 July	325,426	289,744	310,923	280,216
Allowances made during the financial period/year	54,453	162,669	41,961	149,891
Amount transferred from collective assessment	-	729	-	744
Amount written back in respect of recoveries	(41,130)	(46,433)	(40,593)	(42,003)
Amount written off	(119,095)	(72,260)	(117,845)	(68,890)
Unwinding income	(6,021)	(8,741)	(6,013)	(8,712)
Exchange difference	(6,517)	(282)	(6,446)	(323)
At 31 March	<u>207,116</u>	<u>325,426</u>	<u>181,987</u>	<u>310,923</u>

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A12 Other assets

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2018 RM'000	30/06/2017 RM'000	31/03/2018 RM'000	30/06/2017 RM'000
Foreclosed properties	46	46	46	46
Sundry debtors and other prepayments	137,064	154,350	126,690	144,081
Treasury related receivables	824,688	457,935	552,966	393,525
Cash collateral pledged for derivative transactions	402,243	653,625	402,243	653,625
Other receivables	118,456	141,775	87,202	118,062
	<u>1,482,497</u>	<u>1,407,731</u>	<u>1,169,147</u>	<u>1,309,339</u>

A13 Investment in joint venture

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2018 RM'000	30/06/2017 RM'000	31/03/2018 RM'000	30/06/2017 RM'000
<u>Retained portion</u>				
Unquoted shares outside Malaysia, at cost	24,657	24,657	24,657	24,657
Cumulative share of results, net of dividends received	24,529	20,882	-	-
Exchange fluctuation reserve	7,173	8,842	-	-
	<u>56,359</u>	<u>54,381</u>	<u>24,657</u>	<u>24,657</u>
Equity interest held for sale	118,978	114,804	52,054	52,054
	<u>175,337</u>	<u>169,185</u>	<u>76,711</u>	<u>76,711</u>

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

In March 2017, the Board of Directors has approved the divestment of 37% of the Bank's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by the Bank to new strategic investors through an exercise via Southwest United Equity Exchange. The completion of the sale is currently pending the China Banking Regulatory Commission approval. Upon the divestment exercise, the Bank would continue to equity account the retained interest of 12% as the Bank is still deemed to have significant influence in JV Co.

Investment in joint venture classified as held for sale as at the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The investment classified as held for sale amounted to RM118,978,000 for the financial period ended 31 March 2018 (30 June 2017: RM114,804,000).

JV Co is a private company and there is no quoted market price available for its shares.

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A14 Deposits from customers

A14a By type of deposit

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Amortised cost				
Fixed deposits	87,504,834	87,976,350	72,118,633	71,583,689
Negotiable instruments of deposits	7,180,556	5,713,184	5,982,891	4,913,965
Short-term placements	14,478,737	19,281,420	12,062,442	17,987,726
	<u>109,164,127</u>	<u>112,970,954</u>	<u>90,163,966</u>	<u>94,485,380</u>
Demand deposits	23,489,120	21,232,553	20,244,114	18,142,847
Saving deposits	17,591,764	17,531,603	14,695,829	14,701,048
Others	1,028,545	1,017,170	895,564	901,445
	<u>151,273,556</u>	<u>152,752,280</u>	<u>125,999,473</u>	<u>128,230,720</u>
At fair value through profit and loss				
Structured deposits linked to interest rate derivatives	3,098,813	2,597,863	2,098,774	1,708,752
Fair value changes arising from designation at fair value through profit or loss *	(157,373)	(116,938)	(107,505)	(80,069)
	<u>2,941,440</u>	<u>2,480,925</u>	<u>1,991,269</u>	<u>1,628,683</u>
	<u>154,214,996</u>	<u>155,233,205</u>	<u>127,990,742</u>	<u>129,859,403</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 139 "Financial Instruments: Recognition and Measurement" 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.

A14b By type of customer

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
Government and statutory bodies	2,481,501	2,939,005	1,159,902	1,872,815
Business enterprises	60,926,868	63,339,512	47,243,303	49,509,606
Individuals	88,184,111	86,175,897	77,351,146	76,006,815
Others	2,622,516	2,778,791	2,236,391	2,470,167
	<u>154,214,996</u>	<u>155,233,205</u>	<u>127,990,742</u>	<u>129,859,403</u>

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A14 Deposits from customers (continued)

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Due within six months	79,475,942	93,770,712	64,121,988	78,802,850
More than six months to one year	26,636,178	17,376,145	23,325,138	13,904,358
More than one year to five years	3,052,007	1,824,097	2,716,840	1,778,172
	<u>109,164,127</u>	<u>112,970,954</u>	<u>90,163,966</u>	<u>94,485,380</u>

A15 Deposits and placements of banks and other financial institutions

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Licensed banks	4,449,211	5,484,605	4,446,140	5,460,076
Other financial institutions	364	2,087	-	-
	<u>4,449,575</u>	<u>5,486,692</u>	<u>4,446,140</u>	<u>5,460,076</u>
The maturity structure of deposits and placements of banks and other financial institutions: - One year or less (short-term)	<u>4,449,575</u>	<u>5,486,692</u>	<u>4,446,140</u>	<u>5,460,076</u>

A16 Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Zakat	612	350	-	-
Post employment benefits obligation - defined contribution plan	296	294	296	294
Loan advance payment	3,190,870	2,987,067	2,560,993	2,415,873
Amount due to subsidiary companies	-	-	-	57,820
Treasury and cheque clearing	200,596	129,556	200,596	129,556
Treasury related payables	173,899	235,295	173,899	235,295
Sundry creditors and accruals	506,514	310,745	474,497	283,492
Provision for bonus and staff related expenses	149,857	157,091	144,342	150,118
Others	369,365	232,269	328,327	203,241
	<u>4,592,009</u>	<u>4,052,667</u>	<u>3,882,950</u>	<u>3,475,689</u>

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A17 Tier 2 subordinated bonds

	Note	<u>The Group</u>		<u>The Bank</u>	
		<u>31/03/2018</u>	<u>30/06/2017</u>	<u>31/03/2018</u>	<u>30/06/2017</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
RM1.5 billion Tier 2 subordinated debt, at par	(a)	1,500,000	1,500,000	1,500,000	1,500,000
Add: Interest payable		18,494	1,664	18,494	1,664
		<u>1,518,494</u>	<u>1,501,664</u>	<u>1,518,494</u>	<u>1,501,664</u>
Less: Unamortised discounts		(126)	(277)	(126)	(277)
		<u>1,518,368</u>	<u>1,501,387</u>	<u>1,518,368</u>	<u>1,501,387</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(b)	400,000	400,000	-	-
Add: Profit payable		5,471	631	-	-
		<u>405,471</u>	<u>400,631</u>	<u>-</u>	<u>-</u>
Less: Unamortised discounts		(68)	(128)	-	-
		<u>405,403</u>	<u>400,503</u>	<u>-</u>	<u>-</u>
RM500 million Tier 2 subordinated notes, at par	(c)	500,000	500,000	500,000	500,000
Add: Interest payable		6,312	526	6,312	526
		<u>506,312</u>	<u>500,526</u>	<u>506,312</u>	<u>500,526</u>
Less: Unamortised discounts		(123)	(271)	(123)	(271)
		<u>506,189</u>	<u>500,255</u>	<u>506,189</u>	<u>500,255</u>
		<u>2,429,960</u>	<u>2,402,145</u>	<u>2,024,557</u>	<u>2,001,642</u>

(a) On 22 June 2012, the Bank had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes (“Sub Notes”). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

(b) On 17 June 2014, HLISB, a wholly owned subsidiary of the Bank, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah (“Subordinated Sukuk Ijarah”) out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

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

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A17 Tier 2 subordinated bonds (continued)

(c) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Subordinated Notes ("Sub Notes") out of its RM10.0 billion Multi-Currency Sub Notes Programme. The RM500.0 million Sub Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub Notes shall be subject to the approval of BNM.

The Sub Notes constitute unsecured liabilities of the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub Notes. The Sub Notes may be written off, either fully or partially, at the discretion of BNM at the point of non-viability as determined by BNM or Perbadanan Insurans Deposit Malaysia. The Sub Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

A18 Multi-currency Additional Tier 1 capital securities

	<u>The Group</u>		<u>The Bank</u>	
	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>	<u>31/03/2018</u> <u>RM'000</u>	<u>30/06/2017</u> <u>RM'000</u>
RM400 million Multi-currency Additional Tier-1 capital securities at par	400,000	-	400,000	-
Add: Interest payable	6,859	-	6,859	-
	<u>406,859</u>	<u>-</u>	<u>406,859</u>	<u>-</u>
Less: Unamortised discounts	(640)	-	(640)	-
	<u>406,219</u>	<u>-</u>	<u>406,219</u>	<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"). 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 a Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 perpetual subordinated sukuk wakalah issued by HLISB, a wholly-owned subsidiary of the Bank.

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A19 Innovative Tier 1 capital securities

	<u>The Group and The Bank</u>	
	<u>31/03/2018</u>	<u>30/06/2017</u>
	<u>RM'000</u>	<u>RM'000</u>
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	2,261	12,771
	<u>502,261</u>	<u>512,771</u>
Less: Unamortised discounts	(2,835)	(4,223)
Fair value adjustments on completion of business combination accounting	3,201	7,075
	<u><u>502,627</u></u>	<u><u>515,623</u></u>

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

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

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

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A20 Interest income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Group				
Loan, advances and financing	1,150,003	1,148,134	3,468,678	3,471,670
Money at call and deposit placements with financial institutions	60,790	38,278	147,081	89,807
Securities purchased under resale agreements	1,515	5	3,553	35,284
Financial assets held-for-trading	90,251	100,185	285,418	293,357
Financial investments available-for-sale	187,623	159,026	553,893	467,394
Financial investments held-to-maturity	90,685	89,915	277,630	263,155
Others	670	(58)	2,115	277
	<u>1,581,537</u>	<u>1,535,485</u>	<u>4,738,368</u>	<u>4,620,944</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>12,726</u>	<u>5,958</u>	<u>39,808</u>	<u>18,425</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank				
Loan, advances and financing	1,130,599	1,129,654	3,409,913	3,415,453
Money at call and deposit placements with financial institutions	63,781	33,067	151,774	82,136
Securities purchased under resale agreements	1,515	5	3,553	35,284
Financial assets held-for-trading	90,251	101,953	285,500	297,077
Financial investments available-for-sale	186,819	157,998	551,105	463,808
Financial investments held-to-maturity	89,563	88,615	274,011	262,127
Others	568	(131)	1,808	134
	<u>1,563,096</u>	<u>1,511,161</u>	<u>4,677,664</u>	<u>4,556,019</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>12,726</u>	<u>5,958</u>	<u>39,808</u>	<u>18,425</u>

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A21 Interest expense

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	46,355	22,666	120,617	60,715
Deposits from customers	711,535	661,473	2,065,152	2,067,419
Short-term placements	76,062	80,814	245,895	231,631
Senior bonds	-	10,848	-	31,713
Tier 2 subordinated bonds	22,645	22,718	68,988	69,190
Multi-currency Additional Tier-1 capital securities	(9)	-	817	-
Innovative Tier 1 capital securities	9,552	8,830	28,479	26,342
Recourse obligation on loans sold to Cagamas	1,875	1,875	5,707	4,832
Borrowings	-	(116)	-	3,706
	<u>868,015</u>	<u>809,108</u>	<u>2,535,655</u>	<u>2,495,548</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	47,502	23,026	126,335	62,324
Deposits from customers	699,979	652,243	2,030,748	2,042,908
Short-term placements	76,062	80,814	245,895	231,631
Senior bonds	-	10,848	-	31,713
Tier 2 subordinated bonds	22,645	22,706	68,988	69,174
Multi-currency Additional Tier-1 capital securities	5,092	-	6,902	-
Innovative Tier 1 capital securities	9,552	8,830	28,479	26,342
Recourse obligation on loans sold to Cagamas	1,875	1,875	5,707	4,832
	<u>862,707</u>	<u>800,342</u>	<u>2,513,054</u>	<u>2,468,924</u>

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A22 Net income from Islamic Banking business

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds and others	320,000	274,098	937,654	806,830
of which Finance income	319,679	274,495	933,179	802,759
of which other operating income	321	(397)	4,475	4,071
Income derived from investment of shareholders' funds	40,362	33,518	113,367	107,339
of which Finance income	27,798	23,867	81,146	69,805
of which other operating income	12,564	9,651	32,221	37,534
Income attributable to depositors	(193,682)	(168,329)	(567,698)	(506,871)
	166,680	139,287	483,323	407,298

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A23 Other operating income

Group	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	42,291	37,688	130,253	117,071
Service charges and fees	17,544	17,805	48,113	46,412
Guarantee fees	4,269	3,154	10,706	10,253
Credit card related fees	53,277	56,991	168,515	180,469
Corporate advisory fees	52	867	427	2,088
Commitment fees	8,056	8,479	25,028	26,325
Fee on loans, advances and financing	10,272	8,874	29,299	40,706
Other fee income	11,845	12,263	25,821	35,407
	<u>147,606</u>	<u>146,121</u>	<u>438,162</u>	<u>458,731</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain/(loss) from sale of financial assets held-for-trading	1,581	(15,518)	16,666	(4,953)
Net gain from sale of derivative financial instruments	121,822	14,230	97,382	2,016
Net gain from sale of financial investments available-for-sale	61,112	1,092	133,144	16,775
Net gain from redemption of financial investments held-to-maturity	3	-	3	35
	<u>184,518</u>	<u>(196)</u>	<u>247,195</u>	<u>13,873</u>
(c) <u>Gross dividend income from:</u>				
Financial investments available-for-sale	<u>68,266</u>	<u>59,424</u>	<u>205,638</u>	<u>189,077</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets held-for-trading	378	20,937	(2,327)	(4,752)
- Derivatives financial instruments	(64,373)	(8,720)	3,601	125,604
	<u>(63,995)</u>	<u>12,217</u>	<u>1,274</u>	<u>120,852</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(259)</u>	<u>(15)</u>	<u>(704)</u>	<u>(41)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(102)</u>	<u>(37)</u>	<u>(138)</u>	<u>(37)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	33,082	36,374	66,075	69,685
Rental income	2,232	1,084	5,795	3,146
Gain on disposal of property and equipment	784	162	2,546	1,175
Other non-operating income	3,732	2,951	11,372	9,576
	<u>39,830</u>	<u>40,571</u>	<u>85,788</u>	<u>83,582</u>
Total other operating income	<u>375,864</u>	<u>258,085</u>	<u>977,215</u>	<u>866,037</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018 RM'000	31/03/2017 RM'000	31/03/2018 RM'000	31/03/2017 RM'000
<u>Bank</u>				
(a) <u>Fee income:</u>				
Commissions	41,315	37,265	127,291	115,542
Service charges and fees	17,396	17,621	47,668	45,923
Guarantee fees	4,254	3,133	10,646	10,197
Credit card related fees	53,277	56,991	168,515	180,469
Corporate advisory fees	52	867	427	2,088
Commitment fees	7,883	8,369	24,541	26,021
Fee on loans, advances and financing	9,400	7,984	26,306	37,700
Other fee income	11,816	12,224	25,695	35,195
	<u>145,393</u>	<u>144,454</u>	<u>431,089</u>	<u>453,135</u>
(b) <u>Gain/(loss) arising from sale of financial assets:</u>				
Net gain/(loss) from sale of financial assets held-for-trading	1,581	(15,518)	16,666	(4,953)
Net gain from sale of derivative financial instruments	121,822	14,230	97,382	2,016
Net gain from sale of financial investments available-for-sale	61,112	680	132,925	16,166
Net gain from redemption of financial investments held-to-maturity	3	-	3	35
	<u>184,518</u>	<u>(608)</u>	<u>246,976</u>	<u>13,264</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	43,400	-	43,400	-
Associated company	-	-	-	121,461
Investment in joint venture	-	-	4,882	4,698
Financial investments available-for-sale	68,266	59,424	205,638	189,077
	<u>111,666</u>	<u>59,424</u>	<u>253,920</u>	<u>315,236</u>

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A23 Other operating income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>Net unrealised (loss)/gain on revaluation of:</u>				
- Financial assets held-for-trading	378	20,937	(2,327)	(4,752)
- Derivatives financial instruments	(64,373)	(8,720)	3,601	125,604
	<u>(63,995)</u>	<u>12,217</u>	<u>1,274</u>	<u>120,852</u>
(e) <u>Amortisation of fair value changes arising from terminated fair value hedges</u>	<u>(259)</u>	<u>(15)</u>	<u>(704)</u>	<u>(41)</u>
(f) <u>Net loss on fair value changes arising from fair value hedges</u>	<u>(102)</u>	<u>(37)</u>	<u>(138)</u>	<u>(37)</u>
(g) <u>Other income:</u>				
Foreign exchange gain	32,768	35,957	64,971	68,793
Rental income	1,295	1,084	4,133	3,146
Gain on disposal of property and equipment	784	162	2,546	1,175
Other non-operating income	3,581	2,758	10,962	9,911
	<u>38,428</u>	<u>39,961</u>	<u>82,612</u>	<u>83,025</u>
Total other operating income	<u>415,649</u>	<u>255,396</u>	<u>1,015,029</u>	<u>985,434</u>

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A24 Other operating expenses

Group	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	255,503	254,776	768,500	760,990
- Medical expenses	8,897	8,757	24,247	20,804
- Training and convention expenses	5,381	4,186	18,722	21,652
- Staff welfare	2,816	2,604	6,818	8,618
- Others	4,423	6,153	17,176	22,506
	<u>277,020</u>	<u>276,476</u>	<u>835,463</u>	<u>834,570</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	35,412	23,485	88,365	66,408
- Amortisation of intangible assets	18,786	18,604	56,581	55,537
- Rental of premises	17,752	20,527	57,800	62,267
- Information technology expenses	42,609	37,520	122,665	108,282
- Security services	7,954	6,543	20,768	20,739
- Electricity, water and sewerage	6,305	5,992	19,948	17,917
- Hire of plant and machinery	3,188	3,730	9,511	10,865
- Others	9,139	5,458	24,816	16,013
	<u>141,145</u>	<u>121,859</u>	<u>400,454</u>	<u>358,028</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	8,505	9,064	26,351	21,862
- Credit card related fees	26,193	23,999	82,729	81,044
- Others	4,371	3,985	12,035	11,407
	<u>39,069</u>	<u>37,048</u>	<u>121,115</u>	<u>114,313</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,319	3,856	12,452	12,399
- Stationery and printing expenses	4,432	3,764	11,144	11,979
- Professional fees	21,020	20,591	63,439	52,087
- Insurance fees	10,555	10,386	31,895	30,060
- Stamp, postage and courier	4,923	4,957	12,285	14,130
- Travelling and transport expenses	1,100	1,057	3,021	3,086
- Registration and license fees	2,320	2,321	6,868	6,863
- Brokerage and commission	2,106	1,901	5,527	4,922
- Credit card fees	9,733	10,919	30,283	28,908
- Others	8,894	5,729	15,677	20,905
	<u>69,402</u>	<u>65,481</u>	<u>192,591</u>	<u>185,339</u>
	<u>526,636</u>	<u>500,864</u>	<u>1,549,623</u>	<u>1,492,250</u>

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A24 Other operating expenses (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018 RM'000	31/03/2017 RM'000	31/03/2018 RM'000	31/03/2017 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	213,138	210,035	642,800	632,532
- Medical expenses	7,683	7,506	20,913	17,538
- Training and convention expenses	4,078	3,528	15,138	19,282
- Staff welfare	2,507	2,080	5,884	7,419
- Others	2,718	4,588	12,598	17,599
	<u>230,124</u>	<u>227,737</u>	<u>697,333</u>	<u>694,370</u>
<u>Establishment costs</u>				
- Depreciation of property and equipment	27,773	21,803	77,306	61,544
- Amortisation of intangible assets	17,767	17,635	53,486	52,707
- Rental of premises	22,229	16,605	68,040	50,544
- Information technology expenses	39,776	33,932	114,250	97,487
- Security services	6,290	5,235	16,299	16,677
- Electricity, water and sewerage	4,710	5,136	15,087	15,423
- Hire of plant and machinery	3,036	3,480	9,029	10,218
- Others	3,230	1,693	11,967	3,863
	<u>124,811</u>	<u>105,519</u>	<u>365,464</u>	<u>308,463</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	7,950	8,368	24,394	20,089
- Credit card related fees	26,193	23,999	82,729	81,044
- Others	3,631	3,343	10,212	9,635
	<u>37,774</u>	<u>35,710</u>	<u>117,335</u>	<u>110,768</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4,205	3,758	12,145	12,138
- Stationery and printing expenses	4,194	3,604	10,419	11,529
- Professional fees	19,237	19,874	59,892	50,146
- Insurance fees	9,096	9,085	27,818	26,633
- Stamp, postage and courier	4,807	4,867	12,027	13,872
- Travelling and transport expenses	814	802	2,211	2,267
- Registration and license fees	2,078	2,049	6,127	6,108
- Brokerage and commission	1,101	1,063	2,767	2,581
- Credit card fees	9,733	10,919	30,283	28,908
- Others	7,280	5,803	12,701	24,315
	<u>62,545</u>	<u>61,824</u>	<u>176,390</u>	<u>178,497</u>
	<u>455,254</u>	<u>430,790</u>	<u>1,356,522</u>	<u>1,292,098</u>

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A25 Allowance for impairment losses on loans, advances and financing

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	72,301	89,411	228,174	229,772
- individual assessment allowance	(2,770)	19,197	13,323	37,224
Impaired loans and financing:				
- written off	4,539	5,886	15,118	16,569
- recovered from bad debt written off	(61,111)	(68,441)	(189,767)	(186,077)
	<u>12,959</u>	<u>46,053</u>	<u>66,848</u>	<u>97,488</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for impairment losses on loans, advances and financing:				
- collective assessment allowance	57,089	75,261	175,317	192,348
- individual assessment allowance	(2,827)	17,857	1,368	32,475
Impaired loans and financing:				
- written off	3,588	4,984	12,442	14,515
- recovered from bad debt written off	(54,322)	(61,910)	(153,673)	(168,113)
	<u>3,528</u>	<u>36,192</u>	<u>35,454</u>	<u>71,225</u>

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A26 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group and the Bank are also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures.

The 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 31/03/2018	Financial Year Ended 30/06/2017	Financial Period Ended 31/03/2018	Financial Year Ended 30/06/2017
Before deducting proposed dividends				
CET I capital ratio	12.015%	13.788%	11.660%	13.078%
Tier I capital ratio	12.705%	14.193%	12.112%	13.556%
Total capital ratio	15.264%	16.280%	14.938%	15.997%
After deducting proposed dividends				
CET I capital ratio	12.015%	13.286%	11.660%	12.486%
Tier I capital ratio	12.705%	13.691%	12.112%	12.964%
Total capital ratio	15.264%	15.779%	14.938%	15.405%

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A26 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 31/03/2018 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Period Ended 31/03/2018 RM'000	Financial Year Ended 30/06/2017 RM'000
CET I capital				
Paid-up share capital	7,739,063	7,739,063	7,739,063	7,739,063
Retained profits	13,609,126	13,560,582	10,166,287	10,245,205
Other reserves	925,514	1,265,223	294,368	422,954
Less: Treasury shares	(732,267)	(733,961)	(732,267)	(733,961)
Less: Deferred tax assets	(1,582)	(4,851)	-	-
Less: Other intangible assets	(161,147)	(213,323)	(145,417)	(194,870)
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)
Less : Investment in subsidiary companies/ associated company/joint venture	(3,936,233)	(2,908,861)	(2,762,349)	(2,148,516)
Total CET I capital	15,611,162	16,872,560	12,788,138	13,558,328
Additional Tier I capital				
Multi-currency Additional Tier-1 capital securities	399,360	-	399,360	-
Innovative Tier I capital securities	497,166	495,778	497,166	495,778
Additional Tier I capital before regulatory adjustments	896,526	495,778	896,526	495,778
Less : Investment in Additional Tier 1 perpetual subordinated sukuk wakalah	-	-	(400,000)	-
Additional Tier I capital after regulatory adjustments	896,526	495,778	496,526	495,778
Total Tier I capital	16,507,688	17,368,338	13,284,664	14,054,106
Tier II capital				
Collective assessment allowance [^] and regulatory reserves #	1,324,999	1,281,686	1,099,085	1,067,705
Subordinated bonds	1,999,874	1,999,723	1,999,874	1,999,723
Tier II capital before regulatory adjustments	3,324,873	3,281,409	3,098,959	3,067,428
Less : Investment in subsidiary companies/ associated company/joint venture	-	(727,215)	-	(537,129)
Total Tier II capital	3,324,873	2,554,194	3,098,959	2,530,299
Total capital	19,832,561	19,922,532	16,383,623	16,584,405

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

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM693,928,000 (2017: RM667,238,000) and RM596,157,000 (2017: RM571,678,000) respectively.

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A26 Capital adequacy (continued)

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

	The Group		The Bank	
	Financial Period Ended 31/03/2018 RM'000	Financial Year Ended 30/06/2017 RM'000	Financial Period Ended 31/03/2018 RM'000	Financial Year Ended 30/06/2017 RM'000
Credit risk	117,163,859	111,299,987	97,768,351	93,397,418
Market risk	4,438,306	3,115,525	4,721,771	3,340,119
Operational risk	8,326,534	7,958,340	7,188,729	6,934,552
Total RWA	129,928,699	122,373,852	109,678,851	103,672,089

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

	Hong Leong Islamic Bank Berhad	
	Financial Period Ended 31/03/2018	Financial Year Ended 30/06/2017
Before deducting proposed dividends		
CET I capital ratio	10.261%	10.622%
Tier I capital ratio	12.287%	10.622%
Total capital ratio	15.408%	13.946%
After deducting proposed dividends		
CET I capital ratio	10.261%	10.622%
Tier I capital ratio	12.287%	10.622%
Total capital ratio	15.408%	13.946%

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A27 Group segmental reporting on revenue, profit and assets

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

The various business segments are described below:

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

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

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

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

Other operations refers to head office and other business segments.

Financial quarter ended 31/03/2018

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

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A27 Group segmental reporting on revenue, profit and assets (continued)

Financial period ended 31/03/2018

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

Corresponding quarter ended 31/03/2017

	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	653,444	171,532	297,192	57,979	(62,081)	5,683	1,123,749
Inter-segment revenue	(9,246)	106,376	(183,891)	-	86,761	-	-
Segment revenue	<u>644,198</u>	<u>277,908</u>	<u>113,301</u>	<u>57,979</u>	<u>24,680</u>	<u>5,683</u>	<u>1,123,749</u>
Segment profit before taxation	297,375	197,752	86,962	8,656	(17,494)	6,144	579,395
Share of profit after tax of equity accounted associated company				112,794			112,794
Share of profit after tax of equity accounted joint venture				4,855			4,855
Profit before taxation							<u>697,044</u>
Taxation							(127,507)
Profit after taxation							<u>569,537</u>

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A27 Group segmental reporting on revenue, profit and assets (continued)

Corresponding financial period ended 31/03/2017

	Personal Financial Services RM'000	Business & Corporate Banking RM'000	Global Markets RM'000	Overseas/ International Operations RM'000	Other Operations RM'000	Inter- Segment Elimination RM'000	Total RM'000
<u>By business segment</u>							
External revenue	1,923,799	507,041	987,321	174,827	(68,082)	(126,175)	3,398,731
Inter-segment revenue	(48,107)	314,593	(566,535)	-	300,049	-	-
Segment revenue	<u>1,875,692</u>	<u>821,634</u>	<u>420,786</u>	<u>174,827</u>	<u>231,967</u>	<u>(126,175)</u>	<u>3,398,731</u>
Segment profit before taxation	866,661	583,371	337,092	28,025	119,503	(124,830)	1,809,822
Share of profit after tax of equity accounted associated company				241,810			241,810
Share of profit after tax of equity accounted joint venture				16,661			16,661
Profit before taxation							<u>2,068,293</u>
Taxation							(406,194)
Profit after taxation							<u>1,662,099</u>
Segment assets	86,623,318	29,685,327	56,154,089	12,959,334	-	-	185,422,068
Unallocated assets							9,585,762
Total assets							<u>195,007,830</u>

A28 Property and equipment

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

A29(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 2018.

A29(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 2018 and up to the date of this report except for the following:

On 31 January 2018, our associated company, Bank of Chengdu Co., Ltd. ("BOCD") was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Bank's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20%.

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A30 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:

	<u>The Group</u>		<u>The Bank</u>	
	31/03/2018 RM'000	30/06/2017 RM'000	31/03/2018 RM'000	30/06/2017 RM'000
Principal amount				
Direct credit substitutes	94,971	81,785	37,256	28,387
Certain transaction related contingent items	1,299,553	1,391,110	1,181,504	1,285,746
Short-term self liquidating trade related contingencies	902,518	769,864	878,657	733,985
Irrevocable commitments to extend credit:				
- maturity more than one year	13,722,575	13,257,147	9,855,260	9,601,053
- maturity less than one year	16,828,975	16,097,927	14,828,341	14,562,467
Foreign exchange related contracts:				
- less than one year	41,221,358	35,909,765	40,131,837	35,531,864
- one year to less than five years	2,518,360	3,646,999	2,518,360	3,646,999
- five years and above	495,554	1,153,405	495,554	1,153,405
Interest rate related contracts:				
- less than one year	68,524,585	43,388,997	68,224,585	43,138,997
- one year to less than five years	46,176,547	34,308,796	47,421,547	34,423,796
- five years and above	4,996,025	5,562,786	5,446,025	4,862,786
Equity related contracts:				
- less than one year	276,190	155,471	276,190	155,471
- one year to less than five years	368,735	279,187	368,735	279,187
Unutilised credit card lines	7,204,686	7,001,256	7,204,686	7,001,256
Total	204,630,632	163,004,495	198,868,537	156,405,399

A31 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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A32 Fair value of financial instruments

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

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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A32 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 31/03/2018			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	4,081,404	-	4,081,404
- Quoted securities	33,831	-	-	33,831
- Unquoted securities	-	-	-	-
Financial investments available-for-sale				
- Money market instrument	-	7,081,386	-	7,081,386
- Quoted securities	11,430,884	-	-	11,430,884
- Unquoted securities	-	12,007,984	454,683	12,462,667
Derivative financial instruments	2,231	977,725	20,767	1,000,723
	<u>11,466,946</u>	<u>24,148,499</u>	<u>475,450</u>	<u>36,090,895</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	4,460	1,637,435	20,767	1,662,662
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,941,440	-	2,941,440
	<u>4,460</u>	<u>4,578,875</u>	<u>20,767</u>	<u>4,604,102</u>

	The Group			
	Financial Year Ended 30/06/2017			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	5,113,268	-	5,113,268
- Quoted securities	258,452	-	-	258,452
- Unquoted securities	-	316,445	-	316,445
Financial investments available-for-sale				
- Money market instrument	-	6,640,333	-	6,640,333
- Quoted securities	10,077,526	-	-	10,077,526
- Unquoted securities	-	10,481,598	454,760	10,936,358
Derivative financial instruments	18	944,456	8,568	953,042
	<u>10,335,996</u>	<u>23,496,100</u>	<u>463,328</u>	<u>34,295,424</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,228	1,395,856	8,568	1,405,652
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,480,925	-	2,480,925
	<u>1,228</u>	<u>3,876,781</u>	<u>8,568</u>	<u>3,886,577</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 (2017: RM Nil).

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A32 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 31/03/2018			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	3,488,573	-	3,488,573
- Quoted securities	33,831	-	-	33,831
- Unquoted securities	-	-	-	-
Financial investments available-for-sale				
- Money market instrument	-	5,604,561	-	5,604,561
- Quoted securities	11,420,129	-	-	11,420,129
- Unquoted securities	-	10,635,574	454,683	11,090,257
Derivative financial instruments	2,231	970,145	20,767	993,143
	<u>11,456,191</u>	<u>20,698,853</u>	<u>475,450</u>	<u>32,630,494</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	4,460	1,584,857	20,767	1,610,084
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,991,269	-	1,991,269
	<u>4,460</u>	<u>3,576,126</u>	<u>20,767</u>	<u>3,601,353</u>
The Bank				
Financial Year Ended 30/06/2017				
	Fair Value			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>Recurring fair value measurements</i>				
<u>Financial Assets</u>				
Financial assets held-for-trading				
- Money market instrument	-	5,021,807	-	5,021,807
- Quoted securities	258,452	-	-	258,452
- Unquoted securities	-	125,051	-	125,051
Financial investments available-for-sale				
- Money market instrument	-	5,110,048	-	5,110,048
- Quoted securities	10,065,260	-	-	10,065,260
- Unquoted securities	-	9,256,212	454,760	9,710,972
Derivative financial instruments	18	938,997	8,568	947,583
	<u>10,323,730</u>	<u>20,452,115</u>	<u>463,328</u>	<u>31,239,173</u>
<u>Financial Liabilities</u>				
Derivative financial instruments	1,228	1,353,858	8,568	1,363,654
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	1,628,683	-	1,628,683
	<u>1,228</u>	<u>2,982,541</u>	<u>8,568</u>	<u>2,992,337</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 (2017: RM Nil).

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A32 Fair value of financial instruments (continued)

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

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

The Group 2018	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	871	871
Net fair value changes recognised in other comprehensive income	(57)	-	-
Purchases	-	11,328	11,328
Disposal	(20)	-	-
At 31 March	<u>454,683</u>	<u>20,767</u>	<u>20,767</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2018	<u>-</u>	<u>871</u>	<u>871</u>
Total gain recognised in other comprehensive income relating to assets held on 31 March 2018	<u>(57)</u>	<u>-</u>	<u>-</u>

The Bank 2018	Financial Assets		Financial Liability
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
At 1 July	454,760	8,568	8,568
Fair value changes recognised in statements of income	-	871	871
Net fair value changes recognised in other comprehensive income	(57)	-	-
Purchases	-	11,328	11,328
Disposal	(20)	-	-
At 31 March	<u>454,683</u>	<u>20,767</u>	<u>20,767</u>
Fair value changes recognised in statements of income relating to assets/liability held on 31 March 2018	<u>-</u>	<u>871</u>	<u>871</u>
Total gain recognised in other comprehensive income relating to assets held on 31 March 2018	<u>(57)</u>	<u>-</u>	<u>-</u>

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A32 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 2017	Financial Assets		Financial
	Financial investments available-for-sale	Derivative financial instruments	Liability Derivative financial instruments
	RM'000	RM'000	RM'000
At 1 July	427,328	7,995	7,995
Fair value changes recognised in statements of income	-	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	-	-
Purchases	-	7,582	7,582
Settlements	-	(14,306)	(14,306)
Disposal	(53)	-	-
Transfer out from Level 3	(4,329)	-	-
At 30 June	<u>454,760</u>	<u>8,568</u>	<u>8,568</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2017	<u>-</u>	<u>7,297</u>	<u>7,297</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	<u>31,814</u>	<u>-</u>	<u>-</u>
The Bank 2017			
	Financial investments available-for-sale	Derivative financial instruments	Financial Liability Derivative financial instruments
	RM'000	RM'000	RM'000
At 1 July	427,328	7,995	7,995
Fair value changes recognised in statements of income	-	7,297	7,297
Net fair value changes recognised in other comprehensive income	31,814	-	-
Purchases	-	7,582	7,582
Settlements	-	(14,306)	(14,306)
Disposal	(53)	-	-
Transfer out from Level 3	(4,329)	-	-
At 30 June	<u>454,760</u>	<u>8,568</u>	<u>8,568</u>
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2017	<u>-</u>	<u>7,297</u>	<u>7,297</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2017	<u>31,814</u>	<u>-</u>	<u>-</u>

During the financial year ended 30 June 2017, the Group and the Bank transferred certain financial instruments (mainly shares outside Malaysia) from Level 3 to Level 2 of the fair value hierarchy. The reason for the transfer was due to upliftment of conversion restriction whereby certain shares are now convertible to Class A shares which are currently listed on the New York Stock Exchange. Thus, these shares can now be reliably measured based on observable inputs under Level 2.

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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 RM855.1 million for the current financial quarter ended 31 March 2018, an increase of RM158.1 million or 22.7% as compared to previous corresponding quarter. The increase in pre-tax profit was mainly due to higher net income of RM132.3 million, lower allowance for impairment losses on loans, advances and financing of RM33.1 million and higher share of profit from associated company of RM18.5 million. However, this is mitigated by higher operating expenses of RM25.8 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 RM278.9 million for the third quarter ended 31 March 2018 as compared to previous corresponding quarter of RM297.4 million. The decrease in pre-tax profit was mainly contributed by lower total income and higher operating expenses, partially offset by lower allowance for impairment losses on loans, advances and financing.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM208.8 million for the third quarter ended 31 March 2018 as compared to previous corresponding quarter of RM197.8 million. The increase in pre-tax profit was mainly contributed by lower allowance for impairment losses on loans, advances and financing, partially offset by higher total operating expenses.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM149.4 million for the third quarter ended 31 March 2018 as compared to previous corresponding quarter of RM87.0 million. The increase in pre-tax profit was mainly contributed by higher total income, partially offset by higher operating expenses.

International Banking

The International Banking's segment recorded a pre-tax profit of RM140.6 million for the third quarter ended 31 March 2018 as compared to previous corresponding quarter of RM126.3 million. The increase in performance was mainly contributed by higher share of profit from associated company in China, partially offset by higher operating expenses.

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B1 Review of performance (continued)

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

The Group pre-tax profit for the financial period ended 31 March 2018 stood at RM2,468.6 million, an increase of RM400.3 million or 19.4% as compared to RM2,068.3 million in the previous corresponding period. The increase was mainly due to higher net income of RM264.5 million, lower allowance for impairment losses on loans, advances and financing of RM30.6 million, higher write back of impairment losses on financial investments of RM1.7 million and higher share of profit from associated company of RM162.6 million. This is mitigated by higher operating expenses of RM57.4 million and lower share of profit from joint venture of RM1.7 million.

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

Personal Financial Services

The Personal Financial Services's segment recorded a pre-tax profit of RM875.8 million for the financial period ended 31 March 2018 as compared to previous corresponding period of RM866.7 million. The increase in pre-tax profit was mainly contributed by higher income, partially offset by higher operating expenses and higher allowance for impairment losses on loans, advances and financing.

Personal Financial Services's loan base grew from RM86.3 billion as at 31 March 2017 to RM89.2 billion as at 31 March 2018. Deposit base registered a growth from RM87.5 billion to RM90.9 billion.

Business and Corporate Banking

The Business and Corporate Banking's segment recorded a pre-tax profit of RM611.6 million for the financial period ended 31 March 2018 as compared to previous corresponding period of RM583.4 million. The increase in pre-tax profit was mainly contributed by higher income and lower allowance for impairment losses on loans, advances and financing, partially offset by higher total operating expenses.

Business and Corporate Banking's loan base decreased from RM29.7 billion as at 31 March 2017 to RM29.0 billion as at 31 March 2018. Deposit base increased from RM29.1 billion to RM29.9 billion.

Global Markets

The Global Markets's segment recorded a pre-tax profit of RM382.0 million for the financial period ended 31 March 2018 as compared to previous corresponding period of RM337.1 million. The increase in pre-tax profit was mainly contributed by higher income.

Treasury earning assets registered an increase from RM52.7 billion as at 31 March 2017 to RM53.8 billion as at 31 March 2018.

International Banking

The International Banking's segment recorded a pre-tax profit of RM463.5 million for the financial period ended 31 March 2018 as compared to previous corresponding period of RM286.5 million. The increase in performance was mainly contributed by higher share of profit from associated company in China and lower allowance for impairment losses on loans, advances and financing from other overseas operations.

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B2 Current Quarter vs. Preceding Quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM855.1 million as compared to RM833.1 million in the preceding quarter, an increase of RM22.0 million mainly contributed by higher net income of RM27.5 million, higher share of profit from associated company of RM5.9 million and higher write back of impairment losses on financial investments of RM1.4 million. However, this is partially offsetted by higher operating expenses of RM10.8 million and higher allowance for impairment losses on loans, advances and financing of RM2.5 million.

B3 Current year prospects

Continued moderate growth outlook in the world economy is expected to facilitate further expansion of the Malaysian economy in 2018. In addition, a steady labour market and continuous wage growth are expected to boost consumer sentiments whilst providing the backdrop for improving private consumption growth and base for sustained domestic demand. This improving outlook will provide the Bank with the impetus to continue pursuing growth in both our domestic and regional business via our strategic branches by embedding ourselves in the communities that we serve and strengthening our digital banking offerings. In line with our commitment towards delivering sustainable growth and long-term shareholder value, the Bank remains committed towards pursuing operational excellence through strategic cost management whilst channeling some of these savings into investment in digital initiatives to provide a seamless and personalized banking experience to our customers.

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	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
The Group				
Income tax	167,896	125,139	474,440	450,484
Transfer (to)/from deferred taxation	(2,801)	2,368	(17,893)	(44,290)
	<u>165,095</u>	<u>127,507</u>	<u>456,547</u>	<u>406,194</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	RM'000	RM'000	RM'000	RM'000
The Bank				
Income tax	143,023	105,765	406,197	429,536
Transfer (to)/from deferred taxation	(2,071)	2,393	(20,856)	(44,265)
	<u>140,952</u>	<u>108,158</u>	<u>385,341</u>	<u>385,271</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 2018:

The Group

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	29,972,089	351,563	(874,157)
(ii) 1 year to 3 years	112,027	-	(12,454)
Swaps			
(i) Less than 1 year	8,514,407	175,272	(304,387)
(ii) 1 year to 3 years	1,378,784	93,346	(28,220)
(iii) More than 3 years	1,523,103	104,152	(37,388)
Options			
(i) Less than 1 year	2,734,862	13,547	(16,888)
Interest rate related contracts			
Futures			
(i) Less than 1 year	54,647,685	2,125	(2,965)
(ii) 1 year to 3 years	6,567,100	106	(1,494)
Swaps			
(i) Less than 1 year	13,876,900	16,282	(15,446)
(ii) 1 year to 3 years	26,288,230	124,442	(116,114)
(iii) More than 3 years	18,317,242	99,120	(232,381)
Equity related contracts			
(i) Less than 1 year	276,190	5,653	(5,652)
(ii) 1 year to 3 years	342,607	11,393	(11,394)
(iii) More than 3 years	26,128	3,722	(3,722)
Total	164,577,354	1,000,723	(1,662,662)

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2017:

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	25,670,538	239,391	(270,386)
(ii) 1 year to 3 years	23,617	85	-
Swaps			
(i) Less than 1 year	7,024,369	207,264	(326,371)
(ii) 1 year to 3 years	2,823,719	120,831	(334,551)
(iii) More than 3 years	1,953,068	136,419	(56,466)
Options			
(i) Less than 1 year	3,214,858	19,761	(17,009)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,935,109	18	(1,228)
Swaps			
(i) Less than 1 year	14,453,888	12,448	(12,729)
(ii) 1 year to 3 years	19,462,048	101,114	(146,479)
(iii) More than 3 years	20,409,534	107,143	(231,865)
Equity related contracts			
(i) Less than 1 year	155,471	410	(410)
(ii) 1 year to 3 years	250,143	4,238	(4,238)
(iii) More than 3 years	29,044	3,920	(3,920)
Total	124,405,406	953,042	(1,405,652)

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 March 2018:

The Bank

Items	Principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
Forwards			
(i) Less than 1 year	29,184,940	326,169	(851,944)
(ii) 1 year to 3 years	112,027	-	(12,454)
Swaps			
(i) Less than 1 year	8,212,035	173,443	(304,387)
(ii) 1 year to 3 years	1,378,784	93,346	(28,220)
(iii) More than 3 years	1,523,103	104,152	(37,388)
Options			
(i) Less than 1 year	2,734,862	13,547	(16,888)
Interest rate related contracts			
Futures			
(i) Less than 1 year	54,647,683	2,125	(2,965)
(ii) 1 year to 3 years	6,567,100	106	(1,494)
Swaps			
(i) Less than 1 year	13,576,902	16,024	(15,321)
(ii) 1 year to 3 years	26,863,229	123,916	(115,070)
(iii) More than 3 years	19,437,243	119,547	(203,185)
Equity related contracts			
(i) Less than 1 year	276,191	5,653	(5,652)
(ii) 1 year to 3 years	342,606	11,393	(11,394)
(iii) More than 3 years	26,128	3,722	(3,722)
Total	164,882,833	993,143	(1,610,084)

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B9 Off-balance sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 30 June 2017:

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	25,293,133	236,271	(268,574)
(ii) 1 year to 3 years	23,617	85	-
Swaps			
(i) Less than 1 year	7,023,873	207,264	(326,371)
(ii) 1 year to 3 years	2,823,719	120,831	(334,551)
(iii) More than 3 years	1,953,068	136,419	(56,466)
Options			
(i) Less than 1 year	3,214,858	19,761	(17,009)
Interest rate related contracts			
Futures			
(i) Less than 1 year	28,935,109	18	(1,228)
Swaps			
(i) Less than 1 year	14,203,888	12,042	(12,241)
(ii) 1 year to 3 years	19,462,049	100,943	(146,479)
(iii) More than 3 years	19,824,533	105,381	(192,167)
Equity related contracts			
(i) Less than 1 year	155,471	410	(410)
(ii) 1 year to 3 years	250,143	4,238	(4,238)
(iii) More than 3 years	29,044	3,920	(3,920)
Total	123,192,505	947,583	(1,363,654)

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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 RM254,069,000 (FYE June 2017: RM115,444,000) and RM124,301,542,000 (FYE June 2017: RM85,460,579,000) 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 RM1,111,212,000 (FYE June 2017: RM1,014,653,000). 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 instrument 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 2018, a total single tier dividend of 16.0 sen per share has been paid (2016/2017: single tier dividend of 15.0 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	
	31/03/2018 RM'000	31/03/2017 RM'000	31/03/2018 RM'000	31/03/2017 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	690,031	569,537	2,012,070	1,662,099
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	(122,092)	(122,248)	(122,092)	(122,248)
	<u>2,045,626</u>	<u>2,045,470</u>	<u>2,045,626</u>	<u>2,045,470</u>
Basic earnings per share (sen)	33.7	27.8	98.4	81.3
<u>The Bank</u>				
Net profit attributable to equity holders	518,247	392,522	1,404,821	1,323,648
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	(122,092)	(122,248)	(122,092)	(122,248)
	<u>2,045,626</u>	<u>2,045,470</u>	<u>2,045,626</u>	<u>2,045,470</u>
Basic earnings per share (sen)	25.3	19.2	68.7	64.7

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B12 Earnings per share (continued)

(b) Fully diluted earnings per share

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

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2018 RM'000	31/03/2017 RM'000	31/03/2018 RM'000	31/03/2017 RM'000
<u>The Group</u>				
Net profit attributable to equity holders	690,031	569,537	2,012,070	1,662,099
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,626	2,045,470	2,045,626	2,045,470
- adjustment for ESS	2,768	551	2,768	551
	2,048,394	2,046,021	2,048,394	2,046,021
Fully diluted earnings per share (sen)	33.7	27.8	98.2	81.2
<u>The Bank</u>				
Net profit attributable to equity holders	518,247	392,522	1,404,821	1,323,648
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the period	2,045,626	2,045,470	2,045,626	2,045,470
- adjustment for ESS	2,768	551	2,768	551
	2,048,394	2,046,021	2,048,394	2,046,021
Fully diluted earnings per share (sen)	25.3	19.2	68.6	64.7