

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.12.2019	30.06.2019	31.12.2019	30.06.2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		184,566	450,062	184,467	443,459
Financial assets at fair value through profit or loss ("FVTPL")	8	977,989	1,246,572	977,645	1,246,208
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,205,162	1,110,915	1,205,162	1,110,915
Financial investments at amortised cost	10	760,397	735,665	760,397	735,665
Derivative financial assets	17	30,558	28,310	30,558	28,310
Loans and advances	11	286,731	205,290	286,731	205,290
Clients' and brokers' balances	12	149,280	196,362	149,280	196,362
Other assets	13	52,418	47,472	52,409	47,459
Statutory deposits with Bank Negara Malaysia		30,169	37,259	30,169	37,259
Investment in subsidiaries		-	-	200	200
Deferred tax assets		85,660	80,926	85,660	80,926
Property and equipment	14	11,857	12,774	11,857	12,774
Right-of-use assets ("ROU")		22,871	-	22,871	-
Intangible assets - computer software		1,716	2,143	1,716	2,143
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,828,360	4,182,736	3,828,108	4,175,956
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	895,573	748,004	895,573	748,004
Deposits and placements of banks and other financial institutions	16	2,100,161	2,422,120	2,100,161	2,422,120
Derivative financial liabilities	17	47,387	34,310	47,387	34,310
Clients' and brokers' balances		102,184	183,123	102,184	183,123
Lease liabilities		22,829	-	22,829	-
Provision for tax		5	8	-	-
Other liabilities	18	50,219	134,126	50,273	127,624
Subordinated obligations	19	100,178	150,505	100,178	150,505
TOTAL LIABILITIES		3,318,536	3,672,196	3,318,585	3,665,686
EQUITY					
Share capital		252,950	252,950	252,950	252,950
Reserves		256,874	257,590	256,573	257,320
TOTAL EQUITY		509,824	510,540	509,523	510,270
TOTAL EQUITY AND LIABILITIES		3,828,360	4,182,736	3,828,108	4,175,956
COMMITMENTS AND CONTINGENCIES					
	26	8,851,279	11,469,676	8,851,279	11,469,676
Net assets per ordinary share (RM)		3.09	3.09	3.09	3.09

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

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Interest income	20a	25,631	34,106	53,388	63,406
Interest income for financial assets at FVTPL	20b	10,670	9,434	20,535	22,624
Interest expense	21	(26,101)	(33,473)	(54,940)	(65,281)
Net interest income		10,200	10,067	18,983	20,749
Non-interest income	22	25,334	17,819	58,584	43,386
Net income		35,534	27,886	77,567	64,135
Overhead expenses	23	(22,888)	(19,690)	(50,721)	(40,283)
Operating profit before allowances (Allowance for)/write-back of credit impairment losses	24	12,646	8,196	26,846	23,852
Profit before taxation		12,530	8,293	26,573	23,628
Taxation		2,056	4,668	3,765	7,189
Net profit for the financial period		14,586	12,961	30,338	30,817
Earnings per share (sen)					
- Basic		8.8	7.9	18.4	18.7
- Diluted		8.8	7.9	18.4	18.7

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

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019**

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	14,586	12,961	30,338	30,817
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to income statements				
Net fair value changes on financial investments at FVOCI				
- Unrealised net (loss)/gain on revaluation of financial investments at FVOCI	(1,362)	1,717	2,599	5,629
- Net transfer to income statements on disposal of financial investments at FVOCI	(569)	(551)	(6,605)	(1,004)
- Net credit impairment loss changes in financial investments at FVOCI	(51)	(18)	(10)	337
Income tax relating to net fair value changes on financial investments at FVOCI	464	(280)	962	(1,110)
Other comprehensive (expense)/income for the financial period, net of tax	(1,518)	868	(3,054)	3,852
Total comprehensive income for the financial period, net of tax	13,068	13,829	27,284	34,669

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

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	Note	The Bank			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Interest income	20a	25,617	34,091	53,348	63,372
Interest income for financial assets at FVTPL	20b	10,670	9,434	20,535	22,624
Interest expense	21	(26,101)	(33,473)	(54,940)	(65,281)
Net interest income		10,186	10,052	18,943	20,715
Non-interest income	22	25,286	17,768	58,479	43,280
Net income		35,472	27,820	77,422	63,995
Overhead expenses	23	(22,829)	(19,623)	(50,615)	(40,171)
Operating profit before allowances (Allowance for)/write-back of credit impairment losses	24	12,643	8,197	26,807	23,824
		(116)	97	(273)	(224)
Profit before taxation		12,527	8,294	26,534	23,600
Taxation		2,056	4,668	3,773	7,189
Net profit for the financial period		14,583	12,962	30,307	30,789
Earnings per share (sen)					
- Basic		8.8	7.9	18.4	18.7
- Diluted		8.8	7.9	18.4	18.7

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

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	14,583	12,962	30,307	30,789
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to income statements				
Net fair value changes on financial investments at FVOCI				
- Unrealised net (loss)/gain on revaluation of financial investments at FVOCI	(1,362)	1,717	2,599	5,629
- Net transfer to income statements on disposal of financial investments at FVOCI	(569)	(551)	(6,605)	(1,004)
- Net credit impairment loss changes in financial investments at FVOCI	(51)	(18)	(10)	337
Income tax relating to net fair value changes on financial investments at FVOCI	464	(280)	962	(1,110)
Other comprehensive (expense)/income for the financial period, net of tax	(1,518)	868	(3,054)	3,852
Total comprehensive income for the financial period, net of tax	13,065	13,830	27,253	34,641

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

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	Attributable to owner of the parent				Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
<u>The Group</u>					
At 1 July 2019	252,950	11,606	7,794	238,190	510,540
Net profit for the financial period	-	-	-	30,338	30,338
Other comprehensive expense, net of tax	-	-	(3,054)	-	(3,054)
Total comprehensive (expense)/income for the financial period	-	-	(3,054)	30,338	27,284
Transfer from regulatory reserve	-	(1,068)	-	1,068	-
Dividend paid	-	-	-	(28,000)	(28,000)
At 31 December 2019	252,950	10,538	4,740	241,596	509,824
At 1 July 2018	252,950	12,743	(1,391)	238,174	502,476
Net profit for the financial period	-	-	-	30,817	30,817
Other comprehensive income, net of tax	-	-	3,852	-	3,852
Total comprehensive income for the financial period	-	-	3,852	30,817	34,669
Transfer from regulatory reserve	-	(1,011)	-	1,011	-
Dividend paid	-	-	-	(45,500)	(45,500)
At 31 December 2018	252,950	11,732	2,461	224,502	491,645

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

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	Non-distributable			Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
<u>The Bank</u>					
At 1 July 2019	252,950	11,606	7,794	237,920	510,270
Net profit for the financial period	-	-	-	30,307	30,307
Other comprehensive expense, net of tax	-	-	(3,054)	-	(3,054)
Total comprehensive (expense)/income for the financial period	-	-	(3,054)	30,307	27,253
Transfer from regulatory reserve	-	(1,068)	-	1,068	-
Dividend paid	-	-	-	(28,000)	(28,000)
At 31 December 2019	252,950	10,538	4,740	241,295	509,523
At 1 July 2018	252,950	12,743	(1,391)	237,945	502,247
Net profit for the financial period	-	-	-	30,789	30,789
Other comprehensive income, net of tax	-	-	3,852	-	3,852
Total comprehensive income for the financial period	-	-	3,852	30,789	34,641
Transfer from regulatory reserve	-	(1,011)	-	1,011	-
Dividend paid	-	-	-	(45,500)	(45,500)
At 31 December 2018	252,950	11,732	2,461	224,245	491,388

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

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	The Group		The Bank	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	26,573	23,628	26,534	23,600
Adjustments for non-cash items	(25,871)	(73,843)	(26,130)	(74,294)
Operating profit/(loss) before changes in working capital	702	(50,215)	404	(50,694)
Changes in working capital:				
Net changes in operating assets	230,670	534,385	230,646	534,407
Net changes in operating liabilities	(339,717)	159,573	(333,161)	159,625
Net income tax paid	(11)	(6)	-	-
Net cash (used in)/generated from operating activities	(108,356)	643,737	(102,111)	643,338
Net cash used in investing activities	(73,780)	(398,824)	(73,521)	(398,373)
Net cash used in financing activities	(83,360)	(46,836)	(83,360)	(46,836)
Net changes in cash and cash equivalents	(265,496)	198,077	(258,992)	198,129
Cash and cash equivalents at beginning of financial period	450,062	55,967	443,459	55,857
Cash and cash equivalents at end of financial period	184,566	254,044	184,467	253,986
Cash and cash equivalents comprise:				
Cash and short term funds	184,566	53,992	184,467	53,934
Less:				
Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	200,052	-	200,052
	184,566	254,044	184,467	253,986

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

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)

EXPLANATORY NOTES

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 2019 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

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 should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2019. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 30 June 2019.

The 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 2019 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle
 - Amendments to MFRS 112 'Income Taxes'
 - Amendments to MFRS 123 'Borrowings Costs'

The adoption of these MFRSs, amendments to MFRSs and IC Interpretations did not have any significant financial impact on the results of the Group and the Bank other than the effects and change in accounting policies arising from the adoption of MFRS 16 as disclosed in Note 34.

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

2. Audit report

The audit report of the latest audited annual financial statements was not subject to any qualification.

3. Seasonality or cyclicity of operations

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

4. Items affecting net income and cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 31 December 2019.

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EXPLANATORY NOTES

5. Changes in estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 31 December 2019.

6. Issuance and repayments

Save as detailed below, there were no other new shares issuance, no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 December 2019.

Repayment of debt securities

On 6 November 2019, the Bank had fully redeemed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme, bearing coupon rate of 5.30% per annum.

7. Dividends

During the financial quarter, a final single-tier dividend of 16.9697 sen per share on the Bank's issued and paid-up share capital, amounting to RM28,000,005 in respect of the financial year ended 30 June 2019 was paid on 13 November 2019.

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

	The Group		The Bank	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	20,738	20,806	20,738	20,806
Malaysian Government Investment Issues	31,466	-	31,466	-
Negotiable instruments of deposits	699,854	991,171	699,854	991,171
Cagamas bonds	-	5,017	-	5,017
	752,058	1,016,994	752,058	1,016,994
Quoted securities				
In Malaysia:				
Shares	83,832	36,340	83,832	36,340
Unit trust investment	344	364	-	-
	84,176	36,704	83,832	36,340
Unquoted securities				
Shares	1,365	1,365	1,365	1,365
Foreign currency bonds	33,296	-	33,296	-
Corporate bond and/or sukuk	107,094	191,509	107,094	191,509
	141,755	192,874	141,755	192,874
	977,989	1,246,572	977,645	1,246,208

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

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

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	165,186	235,724
Malaysian Government Investment Issues	104,937	31,073
Cagamas bonds	72,202	56,022
	342,325	322,819
Unquoted securities		
Foreign currency bonds	56,233	111,351
Corporate bond and/or sukuk	806,604	676,745
	862,837	788,096
	1,205,162	1,110,915

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

The Group and the Bank	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	143	-	-	143
Allowances made	3	-	-	3
Amount written back	(16)	-	-	(16)
New financial assets originated or purchased	97	-	-	97
Financial assets derecognised	(79)	-	-	(79)
Exchange differences	(15)	-	-	(15)
At 31 December 2019	133	-	-	133
At 1 July 2018	205	-	-	205
Allowances made	44	-	-	44
Amount written back	(20)	-	-	(20)
New financial assets originated or purchased	524	-	-	524
Financial assets derecognised	(607)	-	-	(607)
Exchange differences	(3)	-	-	(3)
At 30 June 2019	143	-	-	143

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EXPLANATORY NOTES

10. Financial investments at amortised cost

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	220,262	157,905
Malaysian Government Investment Issues	488,618	478,451
	708,880	636,356
Unquoted securities		
Foreign currency bonds	16,093	53,810
Corporate bond and/or sukuk	35,438	45,535
	51,531	99,345
Less: Expected credit losses	(14)	(36)
	760,397	735,665

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

The Group and the Bank	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	36	-	-	36
Financial assets derecognised	(22)	-	-	(22)
At 31 December 2019	14	-	-	14
At 1 July 2018	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	(3)	-	-	(3)
At 30 June 2019	36	-	-	36

11. Loans and advances

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Term loan financing	55,576	19,862
Share margin financing	234,395	188,217
Staff loans	48	51
Other loans	281	515
Gross loans and advances	290,300	208,645
Allowance for impairment losses:		
- expected credit losses	(3,569)	(3,355)
Total net loans and advances	286,731	205,290

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
(i) Gross loans and advances disbursed by type of customers		
Domestic business enterprises		
- Small and medium enterprises	59,089	509
- Others	86,064	71,282
Individuals	139,908	128,253
Foreign entities	5,239	8,601
	290,300	208,645
(ii) Gross loans and advances analysed by interest rate sensitivity		
Variable rate	289,971	208,079
Fixed rate		
- Staff housing loans	48	51
- Other fixed rate loans	281	515
	290,300	208,645
(iii) Gross loans and advances analysed by residual contractual maturity		
Maturing within one year	290,252	202,210
One year to three years	-	6,384
Over five years	48	51
	290,300	208,645
(iv) Loans and advances analysed by their economic purposes		
Working capital	6,384	6,384
Purchase of securities	283,587	201,696
Purchase of transport vehicles	126	126
Purchase of landed properties	203	439
	290,300	208,645
(v) Gross loans and advances analysed by geographical distribution		
Malaysia	290,300	208,645
(vi) Impaired loans and advances		
(a) Movements in impaired loans and advances		
At 1 July	6,898	6,873
Impaired during the financial period/year	4	25
Amount written-back during the financial year	(237)	-
At 31 December/30 June	6,665	6,898

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
(vi) Impaired loans and advances (continued)		
(b) By economic purposes		
Purchase of transport vehicles	126	126
Purchase of landed properties	155	388
Working capital	6,384	6,384
	6,665	6,898

(vii) Movements in allowance for impairment losses:

Expected credit losses

The Group and the Bank	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	140	1	3,214	3,355
Transferred to Stage 1	3	(3)	-	-
Transferred to Stage 2	(2)	2	-	-
New financial assets originated	138	-	-	138
Financial assets derecognised	(1)	-	-	(1)
Allowance made	104	-	34	138
Allowance written-back	(56)	-	(5)	(61)
At 31 December 2019	326	-	3,243	3,569
At 1 July 2018	223	3	2,959	3,185
Transferred to Stage 1	18	(18)	-	-
Transferred to Stage 2	(16)	16	-	-
New financial assets originated	21	1	-	22
Financial assets derecognised	(4)	-	-	(4)
Allowance made	29	1	287	317
Allowance written-back	(131)	(2)	(32)	(165)
At 30 June 2019	140	1	3,214	3,355

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EXPLANATORY NOTES

12. Clients' and brokers' balances

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Performing accounts	148,858	195,980
Impaired accounts	730	602
	149,588	196,582
Allowance for impairment losses:		
- expected credit losses	(308)	(220)
	149,280	196,362

13. Other assets

	The Group		The Bank	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Amount due from holding company	169	133	169	133
Amount due from subsidiary companies	-	-	1	-
Amount due from related companies	213	474	213	474
Deposits and prepayments	5,904	8,105	5,894	8,105
Fee income receivables	5,990	8,883	5,990	8,883
Collaterals pledged for derivative transactions	8,182	7,417	8,182	7,417
Treasury related receivables	26,284	19,185	26,284	19,185
Other receivables	7,103	4,645	7,103	4,632
	53,845	48,842	53,836	48,829
Allowance for impairment losses:				
- Expected credit losses	(1,427)	(1,370)	(1,427)	(1,370)
	52,418	47,472	52,409	47,459

14. Valuation of property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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15. Deposits from customers

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Fixed Deposit	895,573	748,004
<p>(i) The deposits are sourced from the following customers:</p>		
Government & statutory bodies	719,666	525,319
Business enterprises	158,561	180,092
Individuals	17,346	42,593
	895,573	748,004
<p>(ii) The maturity structure of fixed deposits is as follows:</p>		
Due within:		
- six months	860,168	748,004
- six months to one year	35,405	-
	895,573	748,004

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Licensed banks	184,891	319,492
Licensed investment banks	-	130,032
Other financial institutions	1,915,270	1,972,596
	2,100,161	2,422,120

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17. Derivative financial assets/(liabilities)

	The Group and the Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
31.12.2019			
Interest rate related contracts:			
- Interest rate swaps	5,707,575	18,116	(27,991)
- Futures	28,633	228	-
- Cross currency swaps	81,810	3,801	-
Foreign exchange related contracts:			
- Foreign currency swaps	1,899,532	7,305	(16,791)
- Foreign currency forwards	238,993	17	(2,605)
Equity related contracts:			
- Futures	66,081	1,085	-
- Call options	7,000	6	-
	8,029,624	30,558	(47,387)
30.06.2019			
Interest rate related contracts:			
- Interest rate swaps	8,005,000	16,732	(29,429)
- Futures	91,819	-	(134)
- Cross currency swaps	82,720	2,745	-
Foreign exchange related contracts:			
- Foreign currency swaps	2,313,381	8,731	(4,228)
- Foreign currency forwards	170,641	48	(519)
Equity related contracts:			
- Futures	29,152	39	-
- Call options	7,000	15	-
	10,699,713	28,310	(34,310)

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18. Other liabilities

	The Group		The Bank	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Remisiers' trust deposits	12,778	13,011	12,778	13,011
Treasury related payables	-	20,624	-	20,624
Advance payments received for corporate exercise	243	66,015	243	66,015
Other payables and accrued liabilities	36,984	34,264	37,038	27,762
Provision for post employment benefits	214	212	214	212
	50,219	134,126	50,273	127,624

19. Subordinated obligations

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
RM150.0 million Tier 2 subordinated notes, at par	100,000	150,000
Add: Interest payable	185	603
	100,185	150,603
Less: Unamortised discounts	(7)	(98)
	100,178	150,505

On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB") had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 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 5.30% 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 HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB 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 qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

On 6 November 2019, HLIB had fully redeemed the first issuance of RM50.0 million nominal value of this Sub Notes.

On 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

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20a. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Loans and advances	3,778	3,396	7,030	6,761
Money at call and deposit placements with financial institutions	486	257	4,236	957
Financial investments at FVOCI	10,245	20,066	20,258	34,963
Financial investments at amortised cost	7,220	6,801	14,107	13,171
Others	3,902	3,586	7,757	7,554
Total interest income	25,631	34,106	53,388	63,406

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Loans and advances	3,778	3,396	7,030	6,761
Money at call and deposit placements with financial institutions	472	242	4,196	923
Financial investments at FVOCI	10,245	20,066	20,258	34,963
Financial investments at amortised cost	7,220	6,801	14,107	13,171
Others	3,902	3,586	7,757	7,554
Total interest income	25,617	34,091	53,348	63,372

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EXPLANATORY NOTES

20b. Interest income for financial assets at FVTPL

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Financial assets at FVTPL	10,670	9,434	20,535	22,624

21. Interest expense

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Deposits and placements of banks and other financial institutions	5,364	8,918	10,881	19,032
Deposits from customers	15,392	21,934	32,670	40,819
Derivative financial instruments	3,663	1,937	7,591	3,835
Subordinated obligations	1,333	673	3,153	1,346
Others	349	11	645	249
	26,101	33,473	54,940	65,281

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EXPLANATORY NOTES

22. Non-interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2019 RM'000	Last year's quarter ended 31.12.2018 RM'000	Current year ended 31.12.2019 RM'000	Last year's ended 31.12.2018 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	462	2,191	1,843	2,914
Arranger fees	1,201	1,283	2,054	1,708
Underwriting commissions	-	1,623	-	1,623
Placement fees	1,494	1,450	2,203	1,913
Brokerage income	13,593	12,545	26,085	26,904
Fees on loans and advances	14	43	91	81
Commission from future contracts	183	247	573	383
Other fee income	1,700	1,616	5,160	2,245
	18,647	20,998	38,009	37,771
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at FVTPL	467	1,009	5,411	(734)
- financial investments at FVOCI	2,131	1,639	12,396	4,038
- derivative financial instruments	(965)	(468)	12,690	(16,684)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at FVTPL	(916)	(1,516)	(3,002)	2,874
- derivative financial instruments	(4,687)	(10,614)	(11,171)	7,190
Dividend income from:				
- financial assets at FVTPL	265	451	781	1,387
	(3,705)	(9,499)	17,105	(1,929)
<u>Other income:</u>				
Gain on disposal of property and equipment	-	30	-	30
Foreign exchange gain	10,383	6,285	3,452	7,504
Other non-operating income	9	5	18	10
	10,392	6,320	3,470	7,544
Total non-interest income	25,334	17,819	58,584	43,386

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22. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
31.12.2019	31.12.2018	31.12.2019	31.12.2018	
RM'000	RM'000	RM'000	RM'000	
<u>Fee and commission income:</u>				
Corporate advisory fees	462	2,191	1,843	2,914
Arranger fees	1,201	1,283	2,054	1,708
Placement fees	1,494	1,450	2,203	1,913
Brokerage income	13,593	12,545	26,085	26,904
Fees on loans and advances	14	43	91	81
Commission from future contracts	183	247	573	383
Other fee income	1,655	1,567	5,061	2,144
	18,602	20,949	37,910	37,670
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at FVTPL	467	1,009	5,411	(734)
- financial investments at FVOCI	2,131	1,639	12,396	4,038
- derivative financial instruments	(965)	(468)	12,690	(16,684)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at FVTPL	(916)	(1,516)	(3,002)	2,874
- derivative financial instruments	(4,687)	(10,614)	(11,171)	7,190
Dividend income from:				
- financial assets at FVTPL	262	449	775	1,382
	(3,708)	(9,501)	17,099	(1,934)
<u>Other income:</u>				
Gain on disposal of property and equipment	-	30	-	30
Foreign exchange gain	10,383	6,285	3,452	7,504
Other non-operating income	9	5	18	10
	10,392	6,320	3,470	7,544
Total non-interest income	25,286	17,768	58,479	43,280

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EXPLANATORY NOTES

23. Overhead expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2019 RM'000	Last year's quarter ended 31.12.2018 RM'000	Current year ended 31.12.2019 RM'000	Last year's ended 31.12.2018 RM'000
Personnel expenses	14,492	11,206	34,038	23,159
Promotion and marketing related expenses	342	595	673	1,130
Establishment related expenses	3,189	3,826	7,050	7,863
General administrative expenses	4,865	4,063	8,960	8,131
	22,888	19,690	50,721	40,283
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	12,490	8,990	30,073	19,051
Defined contribution plan	1,623	1,590	3,274	3,165
Other employee benefits	379	626	691	943
	14,492	11,206	34,038	23,159
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	21	37	22	37
Entertainment and business improvement	255	400	551	900
Others	66	158	100	193
	342	595	673	1,130
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	687	550	1,367	1,294
Amortisation of intangible assets	322	626	663	1,246
Depreciation of ROU assets	869	-	1,744	-
Rental expenses	37	995	45	2,048
Others	1,274	1,655	3,231	3,275
	3,189	3,826	7,050	7,863
(iv) General administrative expenses comprise the following:				
Management fee	767	423	1,338	1,066
Teletransmission expenses	1,851	1,293	3,505	2,541
Auditors' remuneration				
- Statutory audit fees	63	74	124	148
Legal and professional fees	1,319	867	1,996	1,794
Others	865	1,406	1,997	2,582
	4,865	4,063	8,960	8,131

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EXPLANATORY NOTES

23. Overhead expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2019 RM'000	Last year's quarter ended 31.12.2018 RM'000	Current year ended 31.12.2019 RM'000	Last year's ended 31.12.2018 RM'000
Personnel expenses	14,459	11,176	33,972	23,097
Promotion and marketing related expenses	342	595	673	1,130
Establishment related expenses	3,178	3,814	7,030	7,842
General administrative expenses	4,850	4,038	8,940	8,102
	22,829	19,623	50,615	40,171
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	12,462	8,964	30,017	18,998
Defined contribution plan	1,618	1,581	3,264	3,156
Other employee benefits	379	631	691	943
	14,459	11,176	33,972	23,097
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	21	37	22	37
Entertainment and business improvement	255	400	551	900
Others	66	158	100	193
	342	595	673	1,130
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	687	550	1,367	1,294
Amortisation of intangible assets	322	626	663	1,246
Depreciation of ROU assets	869	-	1,744	-
Rental expenses	37	980	45	2,032
Others	1,263	1,658	3,211	3,270
	3,178	3,814	7,030	7,842
(iv) General administrative expenses comprise the following:				
Management fee	767	423	1,337	1,065
Teletransmission expenses	1,851	1,293	3,505	2,541
Auditors' remuneration				
- Statutory audit fees	51	72	110	144
Legal and professional fees	1,318	844	1,993	1,771
Others	863	1,406	1,995	2,581
	4,850	4,038	8,940	8,102

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24. (Allowance for)/write-back of credit impairment losses

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2019 RM'000	Last year's quarter ended 31.12.2018 RM'000	Current year ended 31.12.2019 RM'000	Last year's ended 31.12.2018 RM'000
Expected credit losses				
(a) Loans and advances	(38)	12	(214)	(18)
(b) Financial investments				
(i) Financial investments at FVOCI	51	18	10	(337)
(ii) Financial investments at amortised cost	4	(1)	22	(17)
	55	17	32	(354)
(c) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	(101)	29	(89)	22
- Impaired clients' and brokers' balances recovered	16	47	54	47
(ii) Deposits and placements with banks and other financial institutions	-	-	-	22
(iii) Securities purchased under resale agreements	-	-	-	2
(iv) Other assets	(48)	(8)	(56)	55
	(133)	68	(91)	148
	(116)	97	(273)	(224)

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25. 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.

Credit transactions and exposure with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Outstanding credit exposures with connected parties	5,169	8,929
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	3.24%	3.46%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.00%	0.00%

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26. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these.

	The Group and the Bank	
	31.12.2019	30.06.2019
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	-	18,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	30,000	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	790,655	750,103
	821,655	769,963
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	2,306,208	4,566,819
- Over one year to five years	3,391,810	3,367,720
- Over five years	120,000	245,000
Foreign exchange related contracts:		
- One year or less	2,138,525	2,484,022
Equity related contracts:		
- One year or less	73,081	36,152
	8,029,624	10,699,713
	8,851,279	11,469,676

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27. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group and the Company measures 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 market 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, unit trust investments 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 determine 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). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

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27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

The Group	Level 1	Level 2	Level 3	Total
31.12.2019	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	84,176	892,448	1,365	977,989
- Money market instruments	-	752,058	-	752,058
- Quoted securities	84,176	-	-	84,176
- Unquoted securities	-	140,390	1,365	141,755
Financial investments at FVOCI	-	1,205,162	-	1,205,162
- Money market instruments	-	342,325	-	342,325
- Unquoted securities	-	862,837	-	862,837
Derivative financial assets	-	30,558	-	30,558
	84,176	2,128,168	1,365	2,213,709
Financial liability				
Derivative financial liabilities	-	47,387	-	47,387
30.06.2019				
Financial assets				
Financial assets at FVTPL	36,704	1,208,503	1,365	1,246,572
- Money market instruments	-	1,016,994	-	1,016,994
- Quoted securities	36,704	-	-	36,704
- Unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- Money market instruments	-	322,819	-	322,819
- Unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	36,704	2,347,728	1,365	2,385,797
Financial liability				
Derivative financial liabilities	-	34,310	-	34,310

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27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Bank	Level 1	Level 2	Level 3	Total
31.12.2019	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	83,832	892,448	1,365	977,645
- Money market instruments	-	752,058	-	752,058
- Quoted securities	83,832	-	-	83,832
- Unquoted securities	-	140,390	1,365	141,755
Financial investments at FVOCI	-	1,205,162	-	1,205,162
- Money market instruments	-	342,325	-	342,325
- Unquoted securities	-	862,837	-	862,837
Derivative financial assets	-	30,558	-	30,558
	83,832	2,128,168	1,365	2,213,365
Financial liability				
Derivative financial liabilities	-	47,387	-	47,387
30.06.2019				
Financial assets				
Financial assets at FVTPL	36,340	1,208,503	1,365	1,246,208
- Money market instruments	-	1,016,994	-	1,016,994
- Quoted securities	36,340	-	-	36,340
- Unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- Money market instruments	-	322,819	-	322,819
- Unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	36,340	2,347,728	1,365	2,385,433
Financial liability				
Derivative financial liabilities	-	34,310	-	34,310

There were no transfers between Level 1 and 2 during the financial period.

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27. Fair value of financial instruments (continued)

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy are as follows:

	The Group and the Bank	
	31.12.2019	30.06.2019
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July	1,365	1,380
Fair value changes recognised in income statement	-	(15)
At 31 December/30 June	1,365	1,365

28. Capital adequacy

The risk-weighted assets ("RWA") of 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.

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

	The Group		The Bank	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	32.973%	30.883%	32.967%	30.907%
Tier 1 capital ratio	32.973%	30.883%	32.967%	30.907%
Total capital ratio	42.910%	43.440%	42.915%	43.489%
After deducting proposed dividends: ⁽¹⁾				
CET1 capital ratio	32.973%	28.623%	32.967%	28.642%
Tier 1 capital ratio	32.973%	28.623%	32.967%	28.642%
Total capital ratio	42.910%	41.180%	42.915%	41.224%

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2019: RM28,000,005).

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28. Capital adequacy (continued)

(b) The components of CET1, Tier 1 and total capital of the Group and the Bank are as follows:

	The Group		The Bank	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	RM'000	RM'000	RM'000	RM'000
CET1 Capital				
Paid-up ordinary share capital	252,950	252,950	252,950	252,950
Retained profits	210,190	238,190	209,920	237,920
Other reserves	4,740	7,794	4,740	7,794
Less: goodwill and intangibles	(30,702)	(31,129)	(30,702)	(31,129)
Less: deferred tax assets	(85,660)	(80,926)	(85,660)	(80,926)
Less: investment in subsidiary companies	-	-	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(2,607)	(4,287)	(2,607)	(4,287)
Total CET1 Capital	348,911	382,592	348,441	382,122
Tier 1 Capital	348,911	382,592	348,441	382,122
Tier 2 Capital				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	5,143	5,556	5,143	5,556
Subordinated obligations	100,000	150,000	100,000	150,000
Total Tier 2 Capital	105,143	155,556	105,143	155,556
Total Capital	454,054	538,148	453,584	537,678

Note:

⁽²⁾ Includes the qualifying regulatory reserve for non-impaired loans and advances.

(c) Breakdown of risk-weighted assets in the various risk weights:

	The Group		The Bank	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Credit risk	411,437	445,803	411,408	444,468
Market risk	379,842	519,994	379,154	519,266
Operational risk	266,879	273,038	266,362	272,622
	1,058,158	1,238,835	1,056,924	1,236,356

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29. Significant events during the financial quarter ended 31 December 2019

There were no material significant events during the financial quarter.

30. Changes in the composition of the Group

There were no changes in composition of the Group since last financial quarter.

31. Significant events subsequent to the financial quarter

There were no material events subsequent to the end of the reporting quarter that require disclosure or adjustments to the unaudited financial statements.

32. Review of performance for the financial quarter ended 31 December 2019 against the corresponding financial quarter

For the current financial quarter ended 31 December 2019, the Group recorded a profit before tax of RM12.5 million, as compared to a RM8.3 million recorded in the corresponding financial quarter. The increase in profit of RM4.2 million was primarily attributable to higher profit contribution from both its Investment Banking division and Stockbroking Division.

33. Prospects for 2020

Moving into FY2020, the economic outlook is anticipated to improve with the resumption of mega infrastructure projects. Along with this positive development, the regulators have also been playing an active role together with the market participants to revive the vibrancy of the capital markets from product innovation, accessibility, technological advancement and governance perspective. Premised on this improving landscape, Debt Markets contribution in FY2020 is expected to be higher than FY2019 with new funding opportunities to be explored and the completion of the outstanding mandates carried forward from FY2019.

Corporate Finance saw strong demands for its two completed Main Market IPOs in FY2019 as evidenced by overwhelming subscriptions by both the institutional and retail investors, and expects the trend to continue into FY2020. The team will continue to keep abreast of developments of the medium sized companies, while at the same time, maintaining a keen focus on providing value-added corporate advisory services to clients. Corporate exercises that provide opportunity for multiple revenue streams via placement and underwriting activities will also remain as one of the key focus going forward.

Under Stockbroking business, as for Government-Linked Corporation business, we will continue to engage our customers to rebuild volume and we also plan to introduce Direct Market Access trading, which allows clients to trade electronically through HLIB. As for the Retail Business, the Bank will continue to invest and innovate in digitalisation efforts to build and strengthen market position.

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34. Changes in accounting policies

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

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

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Bank's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group and the Bank were ranging from 4.11% and 4.94% per annum.

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

	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
The Group			
ROU assets	-	24,739	24,739
Lease liabilities	-	24,258	24,258
Other liabilities	127,624	481	128,105
	<u>127,624</u>	<u>481</u>	<u>128,105</u>
The Bank			
ROU assets	-	24,739	24,739
Lease liabilities	-	24,258	24,258
Other liabilities	134,126	481	134,607
	<u>134,126</u>	<u>481</u>	<u>134,607</u>

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34. Changes in accounting policies

(b) Operating lease commitment reconciliation

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	The Group and the Bank RM'000
Operating lease commitments disclosed as at 30 June 2019	5,607
Less: Discounted using the incremental borrowing	(190)
Less: Short-term leases recognised on a straight-line basis as expense	(10)
Less: Low-value leases recognised on a straight line basis as expense	(72)
Add: Adjustments as a result of a different treatment of extension and termination option	18,923
Lease liabilities recognised as at 1 July 2019	<u>24,258</u>