

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | Note | The Group | | The Bank | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | As at | As at | As at | As at |
| | | 31.12.2020 | 30.06.2020 | 31.12.2020 | 30.06.2020 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | | 256,215 | 272,603 | 256,112 | 271,013 |
| Securities purchased under resale agreements | | - | 50,172 | - | 50,172 |
| Financial assets at fair value through profit or loss ("FVTPL") | 8 | 1,178,618 | 651,672 | 1,178,464 | 651,584 |
| Financial investments at fair value through other comprehensive income ("FVOCI") | 9 | 1,108,447 | 1,266,529 | 1,108,447 | 1,266,529 |
| Financial investments at amortised cost | 10 | 934,331 | 868,134 | 934,331 | 868,134 |
| Derivative financial assets | 17 | 55,597 | 54,957 | 55,597 | 54,957 |
| Loans and advances | 11 | 344,373 | 316,023 | 344,373 | 316,023 |
| Clients' and brokers' balances | 12 | 245,828 | 236,008 | 245,828 | 236,008 |
| Other assets | 13 | 44,143 | 37,667 | 44,120 | 37,660 |
| Investment in subsidiaries | | - | - | 200 | 200 |
| Deferred tax assets | | 75,796 | 85,925 | 75,796 | 85,925 |
| Property and equipment | 14 | 9,707 | 9,267 | 9,707 | 9,267 |
| Right-of-use assets ("ROU") | | 17,783 | 19,486 | 17,783 | 19,486 |
| Intangible assets - computer software | | 1,836 | 2,394 | 1,836 | 2,394 |
| Goodwill | | 28,986 | 28,986 | 28,986 | 28,986 |
| TOTAL ASSETS | | 4,301,660 | 3,899,823 | 4,301,580 | 3,898,338 |
| LIABILITIES AND SHAREHOLDER'S FUNDS | | | | | |
| Deposits from customers | 15 | 759,758 | 737,747 | 759,758 | 737,747 |
| Deposits and placements of banks and other financial institutions | 16 | 2,466,041 | 2,073,211 | 2,466,041 | 2,073,211 |
| Derivative financial liabilities | 17 | 80,500 | 81,620 | 80,500 | 81,620 |
| Clients' and brokers' balances | | 209,796 | 218,257 | 209,796 | 218,257 |
| Lease liabilities | | 16,701 | 18,184 | 16,701 | 18,184 |
| Provision for tax | | - | 7 | - | - |
| Other liabilities | 18 | 105,202 | 116,341 | 105,230 | 114,938 |
| Subordinated obligations | 19 | 100,203 | 100,178 | 100,203 | 100,178 |
| TOTAL LIABILITIES | | 3,738,201 | 3,345,545 | 3,738,229 | 3,344,135 |
| EQUITY | | | | | |
| Share capital | | 252,950 | 252,950 | 252,950 | 252,950 |
| Reserves | | 310,509 | 301,328 | 310,401 | 301,253 |
| TOTAL EQUITY | | 563,459 | 554,278 | 563,351 | 554,203 |
| TOTAL EQUITY AND LIABILITIES | | 4,301,660 | 3,899,823 | 4,301,580 | 3,898,338 |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| | 27 | 6,774,951 | 6,967,399 | 6,774,951 | 6,967,399 |
| Net assets per ordinary share (RM) | | 3.41 | 3.36 | 3.41 | 3.36 |

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 2020.

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020

| | Note | The Group | | | |
|---|------|---------------------------|----------------------|--------------------------------|---------------------|
| | | Individual Quarter | | Cumulative Months Ended | |
| | | Current | Last year's | Current | Last |
| | | quarter ended | quarter ended | year ended | year's ended |
| | | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 20a | 25,725 | 25,631 | 53,054 | 53,388 |
| Interest income for financial assets at FVTPL | 20b | 10,837 | 10,670 | 19,967 | 20,535 |
| Interest expense | 21 | (24,526) | (26,101) | (48,201) | (54,940) |
| Net interest income | | 12,036 | 10,200 | 24,820 | 18,983 |
| Non-interest income | 22 | 60,709 | 25,334 | 118,765 | 58,584 |
| Net income | | 72,745 | 35,534 | 143,585 | 77,567 |
| Overhead expenses | 23 | (30,889) | (22,888) | (61,148) | (50,721) |
| Operating profit before allowances | | 41,856 | 12,646 | 82,437 | 26,846 |
| Write-back of/(allowance for) impairment losses on loans and advances | 24 | 25 | (38) | 2,704 | (214) |
| Write-back of/(allowance for) impairment losses on financial investments and other financial assets | 25 | 465 | (78) | 636 | (59) |
| Profit before taxation | | 42,346 | 12,530 | 85,777 | 26,573 |
| Taxation | | (4,926) | 2,056 | (10,259) | 3,765 |
| Net profit for the financial period | | 37,420 | 14,586 | 75,518 | 30,338 |
| Earnings per share (sen) | | | | | |
| - Basic | | 22.7 | 8.8 | 45.8 | 18.4 |
| - Diluted | | 22.7 | 8.8 | 45.8 | 18.4 |

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 2020.

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

| | The Group | | | |
|---|---------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 | |
| RM'000 | RM'000 | RM'000 | RM'000 | |
| Net profit for the financial period | 37,420 | 14,586 | 75,518 | 30,338 |
| Other comprehensive (expense)/income: | | | | |
| Items that will be reclassified subsequently to income statements | | | | |
| Debt instruments at FVOCI | | | | |
| - Net fair value changes | (3,520) | (1,362) | 4,093 | 2,599 |
| - Net loss on disposal | (1,894) | (569) | (4,634) | (6,605) |
| - Net changes in expected credit losses | (38) | (51) | 74 | (10) |
| Income tax relating to net fair value changes on financial investments at FVOCI | 1,299 | 464 | 130 | 962 |
| Other comprehensive expense for the financial period, net of tax | (4,153) | (1,518) | (337) | (3,054) |
| Total comprehensive income for the financial period, net of tax | 33,267 | 13,068 | 75,181 | 27,284 |

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 2020.

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020

| | Note | The Bank | | | |
|---|------|---------------------------|----------------------|--------------------------------|---------------------|
| | | Individual Quarter | | Cumulative Months Ended | |
| | | Current | Last year's | Current | Last |
| | | quarter ended | quarter ended | year ended | year's ended |
| | | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 20a | 25,701 | 25,617 | 53,024 | 53,348 |
| Interest income for financial assets at FVTPL | 20b | 10,837 | 10,670 | 19,967 | 20,535 |
| Interest expense | 21 | (24,526) | (26,101) | (48,201) | (54,940) |
| Net interest income | | 12,012 | 10,186 | 24,790 | 18,943 |
| Non-interest income | 22 | 60,653 | 25,286 | 118,683 | 58,479 |
| Net income | | 72,665 | 35,472 | 143,473 | 77,422 |
| Overhead expenses | 23 | (30,848) | (22,829) | (61,069) | (50,615) |
| Operating profit before allowances | | 41,817 | 12,643 | 82,404 | 26,807 |
| Write-back of/(allowance for) impairment losses on loans and advances | 24 | 25 | (38) | 2,704 | (214) |
| Write-back of/(allowance for) impairment losses on financial investments and other financial assets | 25 | 465 | (78) | 636 | (59) |
| Profit before taxation | | 42,307 | 12,527 | 85,744 | 26,534 |
| Taxation | | (4,926) | 2,056 | (10,259) | 3,773 |
| Net profit for the financial period | | 37,381 | 14,583 | 75,485 | 30,307 |
| Earnings per share (sen) | | | | | |
| - Basic | | 22.7 | 8.8 | 45.7 | 18.4 |
| - Diluted | | 22.7 | 8.8 | 45.7 | 18.4 |

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 2020.

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020

| | The Bank | | | |
|---|---------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit for the financial period | 37,381 | 14,583 | 75,485 | 30,307 |
| Other comprehensive (expense)/income: | | | | |
| Items that will be reclassified subsequently to income statements | | | | |
| Debt instruments at FVOCI | | | | |
| - Net fair value changes | (3,520) | (1,362) | 4,093 | 2,599 |
| - Net loss on disposal | (1,894) | (569) | (4,634) | (6,605) |
| - Net changes in expected credit losses | (38) | (51) | 74 | (10) |
| Income tax relating to net fair value changes on financial investments at FVOCI | 1,299 | 464 | 130 | 962 |
| Other comprehensive expense for the financial period, net of tax | (4,153) | (1,518) | (337) | (3,054) |
| Total comprehensive income for the financial period, net of tax | 33,228 | 13,065 | 75,148 | 27,253 |

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 2020.

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020**

| <u>The Group</u> | 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 | |
| At 1 July 2020 | 252,950 | 12,076 | 9,349 | 279,903 | 554,278 |
| Net profit for the financial period | - | - | - | 75,518 | 75,518 |
| Other comprehensive expense, net of tax | - | - | (337) | - | (337) |
| Total comprehensive (expense)/income for the financial period | - | - | (337) | 75,518 | 75,181 |
| Transfer to regulatory reserve | - | 813 | - | (813) | - |
| Dividend paid | - | - | - | (66,000) | (66,000) |
| At 31 December 2020 | 252,950 | 12,889 | 9,012 | 288,608 | 563,459 |
| 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 |

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 2020.

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020

| | 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 2020 | 252,950 | 12,076 | 9,349 | 279,828 | 554,203 |
| Net profit for the financial period | - | - | - | 75,485 | 75,485 |
| Other comprehensive expense, net of tax | - | - | (337) | - | (337) |
| Total comprehensive (expense)/income for the financial period | - | - | (337) | 75,485 | 75,148 |
| Transfer to regulatory reserve | - | 813 | - | (813) | - |
| Dividend paid | - | - | - | (66,000) | (66,000) |
| At 31 December 2020 | 252,950 | 12,889 | 9,012 | 288,500 | 563,351 |
| 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 |

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 2020.

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2020

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 85,777 | 26,573 | 85,744 | 26,534 |
| Adjustments for non-cash items | (26,034) | (25,871) | (26,033) | (26,130) |
| Operating profit before changes in working capital | 59,743 | 702 | 59,711 | 404 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (521,668) | 230,670 | (521,591) | 230,646 |
| Net changes in operating liabilities | 395,241 | (339,717) | 396,672 | (333,161) |
| Net income tax paid | (12) | (11) | - | - |
| Net cash used in operating activities | (66,696) | (108,356) | (65,208) | (102,111) |
| Net cash generated from/(used in) investing activities | 120,323 | (73,780) | 120,322 | (73,521) |
| Net cash used in financing activities | (70,015) | (83,360) | (70,015) | (83,360) |
| Net changes in cash and cash equivalents | (16,388) | (265,496) | (14,901) | (258,992) |
| Cash and cash equivalents at beginning of financial period | 272,603 | 450,062 | 271,013 | 443,459 |
| Cash and cash equivalents at end of financial period | 256,215 | 184,566 | 256,112 | 184,467 |
| Cash and cash equivalents comprise: | | | | |
| Cash and short term funds | 256,215 | 184,566 | 256,112 | 184,467 |
| Deposit and placements with bank and other financial institutions | - | - | - | - |
| | 256,215 | 184,566 | 256,112 | 184,467 |

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 2020.

EXPLANATORY NOTES

1. Basis of preparation

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

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 2020 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2020:

- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

The adoption of these amendments to MFRSs did not have any significant financial impact on the results of the Group and the Bank.

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 2020.

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

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 2020.

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 2020.

7. Dividends

During the financial quarter, a final single-tier dividend of 40.0 sen per share on the Bank's issued and paid-up share capital, amounting to RM66,000,000 in respect of the financial year ended 30 June 2020 was paid on 16 November 2020.

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

| | The Group | | The Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 | 30.06.2020 | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Money market instruments | | | | |
| Malaysian Government Securities | 65,333 | - | 65,333 | - |
| Malaysian Government Investment Issues | 98,663 | - | 98,663 | - |
| Negotiable instruments of deposits | 888,332 | 588,325 | 888,332 | 588,325 |
| | 1,052,328 | 588,325 | 1,052,328 | 588,325 |
| Quoted securities | | | | |
| In Malaysia: | | | | |
| Shares | 91,329 | 18,033 | 91,329 | 18,033 |
| Unit trust investment | 154 | 88 | - | - |
| | 91,483 | 18,121 | 91,329 | 18,033 |
| Unquoted securities | | | | |
| Shares | - | 1,432 | - | 1,432 |
| Corporate bond and/or sukuk | 34,807 | 43,794 | 34,807 | 43,794 |
| | 34,807 | 45,226 | 34,807 | 45,226 |
| | 1,178,618 | 651,672 | 1,178,464 | 651,584 |

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

EXPLANATORY NOTES

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

| | The Group and the Bank | |
|--|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Money market instruments | | |
| Malaysian Government Securities | - | 41,229 |
| Malaysian Government Investment Issues | 101,874 | 52,982 |
| Cagamas bonds | 85,568 | 30,358 |
| | 187,442 | 124,569 |
| Unquoted securities | | |
| Foreign currency bonds | 98,089 | 72,260 |
| Corporate bond and/or sukuk | 822,916 | 1,069,700 |
| | 921,005 | 1,141,960 |
| | 1,108,447 | 1,266,529 |

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

| | 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 |
|--|---|--|--|-----------------------------|
| The Group and the Bank | | | | |
| At 1 July 2020 | 341 | - | - | 341 |
| Allowances made | 30 | - | - | 30 |
| Amount written back | (13) | - | - | (13) |
| New financial assets originated or purchased | 116 | - | - | 116 |
| Financial assets derecognised | (50) | - | - | (50) |
| Exchange differences | (9) | - | - | (9) |
| At 31 December 2020 | 415 | - | - | 415 |
| At 1 July 2019 | 143 | - | - | 143 |
| Allowances made | 7 | - | - | 7 |
| Amount written back | (25) | - | - | (25) |
| New financial assets originated or purchased | 347 | - | - | 347 |
| Financial assets derecognised | (98) | - | - | (98) |
| Exchange differences | (33) | - | - | (33) |
| At 30 June 2020 | 341 | - | - | 341 |

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

EXPLANATORY NOTES

10. Financial investments at amortised cost

| | The Group and the Bank | |
|--|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Money market instruments | | |
| Malaysian Government Securities | 400,415 | 291,869 |
| Malaysian Government Investment Issues | 454,270 | 534,018 |
| | 854,685 | 825,887 |
| Unquoted securities | | |
| Foreign currency bonds | 16,026 | 16,964 |
| Corporate bond and/or sukuk | 63,634 | 25,298 |
| | 79,660 | 42,262 |
| Less: Expected credit losses | (14) | (15) |
| | 934,331 | 868,134 |

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 2020 | 15 | - | - | 15 |
| Exchange differences | (1) | - | - | (1) |
| At 31 December 2020 | 14 | - | - | 14 |
| At 1 July 2019 | 36 | - | - | 36 |
| New financial assets originated or purchased | (22) | - | - | (22) |
| Exchange differences | 1 | - | - | 1 |
| At 30 June 2020 | 15 | - | - | 15 |

11. Loans and advances

| | The Group and the Bank | |
|------------------------------|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Term loan financing | 89,524 | 93,935 |
| Share margin financing | 255,448 | 225,398 |
| Staff loans | 41 | 44 |
| Other loans | 265 | 281 |
| Gross loans and advances | 345,278 | 319,658 |
| Less: Expected credit losses | (905) | (3,635) |
| Total net loans and advances | 344,373 | 316,023 |

HONG LEONG INVESTMENT BANK BERHAD
Registration No. 197001000928 (10209-W)

EXPLANATORY NOTES

11. Loans and advances (continued)

| | The Group and the Bank | |
|---|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| (i) Gross loans and advances disbursed by type of customers | | |
| Domestic business enterprises | | |
| - Small and medium enterprises | 58,615 | 57,941 |
| - Others | 120,332 | 124,759 |
| Individuals | 161,092 | 133,221 |
| Foreign entities | 5,239 | 3,737 |
| | 345,278 | 319,658 |
| (ii) Gross loans and advances analysed by interest rate sensitivity | | |
| Variable rate | 344,972 | 319,333 |
| Fixed rate | | |
| - Staff housing loans | 41 | 44 |
| - Other fixed rate loans | 265 | 281 |
| | 345,278 | 319,658 |
| (iii) Gross loans and advances analysed by residual contractual maturity | | |
| Maturing within one year | 291,243 | 265,733 |
| One year to three years | 48,006 | 48,006 |
| Three years to five years | 41 | 44 |
| Over five years | 5,988 | 5,875 |
| | 345,278 | 319,658 |
| (iv) Loans and advances analysed by their economic purposes | | |
| Working capital | 53,872 | 53,882 |
| Purchase of securities | 291,100 | 265,451 |
| Purchase of transport vehicles | 126 | 126 |
| Purchase of landed properties | 180 | 199 |
| | 345,278 | 319,658 |
| (v) Gross loans and advances analysed by geographical distribution | | |
| Malaysia | 345,278 | 319,658 |
| (vi) Impaired loans and advances | | |
| (a) Movements in impaired loans and advances | | |
| At 1 July | 6,522 | 6,898 |
| Impaired during the financial period/year | 21 | 34,066 |
| Amount written-back during the financial period/year | (6,278) | (34,442) |
| At 31 December/30 June | 265 | 6,522 |

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11. Loans and advances (continued)

| | The Group and the Bank | |
|---|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| (vi) Impaired loans and advances (continued) | | |
| (b) By economic purposes | | |
| Purchase of transport vehicles | 126 | 126 |
| Purchase of landed properties | 139 | 155 |
| Purchase of securities | - | 366 |
| Working capital | - | 5,875 |
| | 265 | 6,522 |

(vii) Movements in 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 2020 | 656 | 1 | 2,978 | 3,635 |
| Transferred to Stage 1 | 216 | (6) | (210) | - |
| Transferred to Stage 2 | (7) | 2,336 | (2,329) | - |
| New financial assets originated | 7 | - | - | 7 |
| Financial assets derecognised | (2) | - | - | (2) |
| Allowance made | 35 | - | 2 | 37 |
| Allowance written-back | (270) | (2,187) | (315) | (2,772) |
| At 31 December 2020 | 635 | 144 | 126 | 905 |
| At 1 July 2019 | 140 | 1 | 3,214 | 3,355 |
| Transferred to Stage 1 | 6 | (6) | - | - |
| Transferred to Stage 2 | (6) | 6 | - | - |
| Transferred to Stage 3 | (11) | - | 11 | - |
| New financial assets originated | 602 | - | 2,657 | 3,259 |
| Financial assets derecognised | (2) | - | (3,088) | (3,090) |
| Allowance made | 137 | 1 | 1,839 | 1,977 |
| Allowance written-back | (210) | (1) | (1,655) | (1,866) |
| At 30 June 2020 | 656 | 1 | 2,978 | 3,635 |

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12. Clients' and brokers' balances

| | The Group and the Bank | |
|------------------------------|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Performing accounts | 244,204 | 234,383 |
| Impaired accounts | 2,762 | 3,651 |
| | 246,966 | 238,034 |
| Less: Expected credit losses | (1,138) | (2,026) |
| | 245,828 | 236,008 |

13. Other assets

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 | 30.06.2020 | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax recoverable | 5 | - | - | - |
| Amount due from holding company | 164 | 130 | 164 | 130 |
| Amount due from related companies | 241 | - | 241 | - |
| Deposits and prepayments | 14,470 | 12,652 | 14,467 | 12,645 |
| Fee income receivables | 5,751 | 6,175 | 5,751 | 6,175 |
| Collaterals pledged for derivative transactions | 18,103 | 17,673 | 18,103 | 17,673 |
| Other receivables | 7,016 | 2,465 | 7,001 | 2,465 |
| | 45,750 | 39,095 | 45,727 | 39,088 |
| Less: Expected credit losses | (1,607) | (1,428) | (1,607) | (1,428) |
| | 44,143 | 37,667 | 44,120 | 37,660 |

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 | |
|--|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Fixed Deposit | 759,758 | 737,747 |
| (i) The deposits are sourced from the following customers: | | |
| Government & statutory bodies | 633,405 | 515,109 |
| Business enterprises | 113,284 | 207,466 |
| Individuals | 13,069 | 15,172 |
| | 759,758 | 737,747 |
| (ii) The maturity structure of fixed deposits is as follows: | | |
| Due within: | | |
| - six months | 759,758 | 720,239 |
| - six months to one year | - | 17,508 |
| | 759,758 | 737,747 |

16. Deposits and placements of banks and other financial institutions

| | The Group and the Bank | |
|------------------------------|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Licensed banks | 625,355 | 228,601 |
| Licensed investment banks | - | 75,304 |
| Other financial institutions | 1,840,686 | 1,769,306 |
| | 2,466,041 | 2,073,211 |

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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 |
| 31.12.2020 | | | |
| Derivatives at FVTPL: | | | |
| (i) Interest rate related contracts: | | | |
| - interest rate swaps | 3,710,000 | 41,546 | (59,160) |
| - futures | 91,311 | - | (217) |
| - cross currency swaps | 80,450 | 5,322 | - |
| (ii) Foreign exchange related contracts: | | | |
| - foreign currency swaps | 1,528,292 | 7,723 | (15,900) |
| - foreign currency forwards | 269,546 | 67 | (2,582) |
| (iii) Equity related contracts: | | | |
| - Futures | 87,740 | 861 | - |
| - Call options | 200 | 78 | - |
| Derivatives designated as fair value hedge: | | | |
| - Interest rate swap | 70,000 | - | (2,641) |
| | 5,837,539 | 55,597 | (80,500) |
| 30.06.2020 | | | |
| Derivatives at FVTPL: | | | |
| (i) Interest rate related contracts: | | | |
| - interest rate swaps | 4,350,000 | 47,834 | (74,171) |
| - cross currency swaps | 85,700 | 557 | - |
| (ii) Foreign exchange related contracts: | | | |
| - foreign currency swaps | 1,225,578 | 6,086 | (4,567) |
| - foreign currency forwards | 258,331 | 480 | (372) |
| Derivatives designated as fair value hedge: | | | |
| - Interest rate swap | 70,000 | - | (2,510) |
| | 5,989,609 | 54,957 | (81,620) |

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18. Other liabilities

| | The Group | | The Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 | 30.06.2020 | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amount due to related companies | - | 14 | - | 14 |
| Remisiers' trust deposits | 16,583 | 13,465 | 16,583 | 13,465 |
| Treasury related payables | - | 40,099 | - | 40,099 |
| Advance payments received for corporate exercise | 250 | 248 | 250 | 248 |
| Other payables and accrued liabilities | 88,153 | 62,300 | 88,181 | 60,897 |
| Provision for post employment benefits | 216 | 215 | 216 | 215 |
| | 105,202 | 116,341 | 105,230 | 114,938 |

19. Subordinated obligations

| | The Group and the Bank | |
|---|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| RM100.0 million Tier 2 subordinated notes, at par | 100,000 | 100,000 |
| Add: Interest payable | 209 | 185 |
| | 100,209 | 100,185 |
| Less: Unamortised discounts | (6) | (7) |
| | 100,203 | 100,178 |

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 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.

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

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20a. Interest income

| | The Group | | | |
|---|---------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and advances | 3,659 | 3,778 | 7,303 | 7,030 |
| Money at call and deposit placements with financial institutions | 1,555 | 486 | 3,144 | 4,236 |
| Financial investments at FVOCI | 8,530 | 10,245 | 18,802 | 20,258 |
| Financial investments at amortised cost | 7,751 | 7,220 | 15,231 | 14,107 |
| Others | 4,230 | 3,902 | 8,574 | 7,757 |
| Total interest income | 25,725 | 25,631 | 53,054 | 53,388 |

| | The Bank | | | |
|---|---------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and advances | 3,659 | 3,778 | 7,303 | 7,030 |
| Money at call and deposit placements with financial institutions | 1,531 | 472 | 3,114 | 4,196 |
| Financial investments at FVOCI | 8,530 | 10,245 | 18,802 | 20,258 |
| Financial investments at amortised cost | 7,751 | 7,220 | 15,231 | 14,107 |
| Others | 4,230 | 3,902 | 8,574 | 7,757 |
| Total interest income | 25,701 | 25,617 | 53,024 | 53,348 |

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20b. Interest income for financial assets at FVTPL

| | Individual Quarter | | The Group and the Bank Cumulative Months Ended | |
|---------------------------|--------------------|---------------|---|--------------|
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets at FVTPL | 10,837 | 10,670 | 19,967 | 20,535 |

21. Interest expense

| | Individual Quarter | | The Group and the Bank Cumulative Months Ended | |
|--|--------------------|---------------|---|--------------|
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of banks and other financial institutions | 1,354 | 5,364 | 2,664 | 10,881 |
| Deposits from customers | 10,771 | 15,392 | 21,388 | 32,670 |
| Derivative financial instruments | 11,139 | 3,663 | 21,608 | 7,591 |
| Subordinated obligations | 1,067 | 1,333 | 2,134 | 3,153 |
| Lease liabilities | 207 | 284 | 422 | 575 |
| Others | (12) | 65 | (15) | 70 |
| | 24,526 | 26,101 | 48,201 | 54,940 |

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22. Non-interest income

| | The Group | | | |
|--|---------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Fee and commission income:</u> | | | | |
| Corporate advisory fees | 879 | 462 | 1,796 | 1,843 |
| Arranger fees | 1,818 | 1,201 | 1,871 | 2,054 |
| Underwriting commissions | - | - | 129 | - |
| Placement fees | 4,528 | 1,494 | 5,258 | 2,203 |
| Brokerage income | 35,858 | 13,593 | 77,625 | 26,085 |
| Fees on loans and advances | 46 | 14 | 84 | 91 |
| Commission from future contracts | 188 | 183 | 425 | 573 |
| Other fee income | 4,286 | 1,700 | 5,588 | 5,160 |
| | 47,603 | 18,647 | 92,776 | 38,009 |
| <u>Net income from securities</u> | | | | |
| Net realised gain/(loss) arising from sale of: | | | | |
| - financial assets at FVTPL | 10,519 | 467 | 8,172 | 5,411 |
| - financial investments at FVOCI | 4,499 | 2,131 | 14,544 | 12,396 |
| - derivative financial instruments | (20,728) | (965) | (36,680) | 12,690 |
| Net unrealised (loss)/gain on revaluation of: | | | | |
| - financial assets at FVTPL | (7,341) | (916) | (5,152) | (3,002) |
| - derivative financial instruments | 1,414 | (4,687) | 2,151 | (11,171) |
| Dividend income from: | | | | |
| - financial assets at FVTPL | 443 | 265 | 660 | 781 |
| Net unrealised loss on fair value changes arising from fair value hedges | | | | |
| | (504) | - | (1,034) | - |
| | (11,698) | (3,705) | (17,339) | 17,105 |
| <u>Other income:</u> | | | | |
| Foreign exchange gain | 24,799 | 10,383 | 43,315 | 3,452 |
| Other non-operating income | 5 | 9 | 13 | 18 |
| | 24,804 | 10,392 | 43,328 | 3,470 |
| Total non-interest income | 60,709 | 25,334 | 118,765 | 58,584 |

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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 |
| 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 | |
| RM'000 | RM'000 | RM'000 | RM'000 | |
| <u>Fee and commission income:</u> | | | | |
| Corporate advisory fees | 879 | 462 | 1,796 | 1,843 |
| Arranger fees | 1,818 | 1,201 | 1,871 | 2,054 |
| Underwriting commissions | - | - | 129 | - |
| Placement fees | 4,528 | 1,494 | 5,258 | 2,203 |
| Brokerage income | 35,858 | 13,593 | 77,625 | 26,085 |
| Fees on loans and advances | 46 | 14 | 84 | 91 |
| Commission from future contracts | 188 | 183 | 425 | 573 |
| Other fee income | 4,231 | 1,655 | 5,507 | 5,061 |
| | 47,548 | 18,602 | 92,695 | 37,910 |
| <u>Net income from securities</u> | | | | |
| Net realised gain/(loss) arising from sale of: | | | | |
| - financial assets at FVTPL | 10,519 | 467 | 8,172 | 5,411 |
| - financial investments at FVOCI | 4,499 | 2,131 | 14,544 | 12,396 |
| - derivative financial instruments | (20,728) | (965) | (36,680) | 12,690 |
| Net unrealised (loss)/gain on revaluation of: | | | | |
| - financial assets at FVTPL | (7,341) | (916) | (5,152) | (3,002) |
| - derivative financial instruments | 1,414 | (4,687) | 2,151 | (11,171) |
| Dividend income from: | | | | |
| - financial assets at FVTPL | 442 | 262 | 659 | 775 |
| Net unrealised loss on fair value changes arising from fair value hedges | | | | |
| | (504) | - | (1,034) | - |
| | (11,699) | (3,708) | (17,340) | 17,099 |
| <u>Other income:</u> | | | | |
| Foreign exchange gain | 24,799 | 10,383 | 43,315 | 3,452 |
| Other non-operating income | 5 | 9 | 13 | 18 |
| | 24,804 | 10,392 | 43,328 | 3,470 |
| Total non-interest income | 60,653 | 25,286 | 118,683 | 58,479 |

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23. Overhead expenses

| | The Group | | | |
|--|---------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 21,780 | 14,492 | 42,762 | 34,038 |
| Promotion and marketing related expenses | 181 | 342 | 303 | 673 |
| Establishment related expenses | 3,942 | 3,189 | 8,084 | 7,050 |
| General administrative expenses | 4,986 | 4,865 | 9,999 | 8,960 |
| | 30,889 | 22,888 | 61,148 | 50,721 |
| (i) Personnel expenses comprise the following: | | | | |
| Salaries, bonuses and allowances | 20,162 | 12,490 | 39,678 | 30,073 |
| Defined contribution plan | 1,655 | 1,623 | 3,329 | 3,274 |
| Other employee benefits | (37) | 379 | (245) | 691 |
| | 21,780 | 14,492 | 42,762 | 34,038 |
| (ii) Promotion and marketing related expenses comprise the following: | | | | |
| Advertisement and publicity expenses | 20 | 21 | 20 | 22 |
| Entertainment and business improvement | 151 | 255 | 249 | 551 |
| Others | 10 | 66 | 34 | 100 |
| | 181 | 342 | 303 | 673 |
| (iii) Establishment related expenses comprise the following: | | | | |
| Depreciation of property and equipment | 732 | 687 | 1,423 | 1,367 |
| Amortisation of intangible assets | 301 | 322 | 618 | 663 |
| Depreciation of ROU assets | 845 | 869 | 1,704 | 1,744 |
| Rental expenses | 17 | 37 | 41 | 45 |
| Others | 2,047 | 1,274 | 4,298 | 3,231 |
| | 3,942 | 3,189 | 8,084 | 7,050 |
| (iv) General administrative expenses comprise the following: | | | | |
| Management fee | 1,530 | 767 | 3,011 | 1,338 |
| Teletransmission expenses | 1,647 | 1,851 | 3,317 | 3,505 |
| Auditors' remuneration | | | | |
| - Statutory audit fees | 35 | 63 | 96 | 124 |
| Legal and professional fees | 782 | 1,319 | 1,469 | 1,996 |
| Property and equipment written off | - | - | 22 | - |
| Others | 992 | 865 | 2,084 | 1,997 |
| | 4,986 | 4,865 | 9,999 | 8,960 |

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23. Overhead expenses (continued)

| | The Bank | | | |
|--|---------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 21,749 | 14,459 | 42,701 | 33,972 |
| Promotion and marketing related expenses | 181 | 342 | 303 | 673 |
| Establishment related expenses | 3,937 | 3,178 | 8,075 | 7,030 |
| General administrative expenses | 4,981 | 4,850 | 9,990 | 8,940 |
| | 30,848 | 22,829 | 61,069 | 50,615 |
| (i) Personnel expenses comprise the following: | | | | |
| Salaries, bonuses and allowances | 20,137 | 12,462 | 39,627 | 30,017 |
| Defined contribution plan | 1,650 | 1,618 | 3,320 | 3,264 |
| Other employee benefits | (38) | 379 | (246) | 691 |
| | 21,749 | 14,459 | 42,701 | 33,972 |
| (ii) Promotion and marketing related expenses comprise the following: | | | | |
| Advertisement and publicity expenses | 20 | 21 | 20 | 22 |
| Entertainment and business improvement | 151 | 255 | 249 | 551 |
| Others | 10 | 66 | 34 | 100 |
| | 181 | 342 | 303 | 673 |
| (iii) Establishment related expenses comprise the following: | | | | |
| Depreciation of property and equipment | 732 | 687 | 1,423 | 1,367 |
| Amortisation of intangible assets | 301 | 322 | 618 | 663 |
| Depreciation of ROU assets | 845 | 869 | 1,704 | 1,744 |
| Rental expenses | 13 | 37 | 33 | 45 |
| Others | 2,046 | 1,263 | 4,297 | 3,211 |
| | 3,937 | 3,178 | 8,075 | 7,030 |
| (iv) General administrative expenses comprise the following: | | | | |
| Management fee | 1,529 | 767 | 3,010 | 1,337 |
| Teletransmission expenses | 1,647 | 1,851 | 3,317 | 3,505 |
| Auditors' remuneration | | | | |
| - Statutory audit fees | 33 | 51 | 92 | 110 |
| Legal and professional fees | 781 | 1,318 | 1,466 | 1,993 |
| Property and equipment written off | - | - | 22 | - |
| Others | 991 | 863 | 2,083 | 1,995 |
| | 4,981 | 4,850 | 9,990 | 8,940 |

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24. Write-back of/(allowance for) for impairment losses on loans and advances

| | The Group and the Bank | | | |
|---|-------------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Expected credit losses | 25 | (38) | 2,730 | (214) |
| Impaired loans and advances written-off | - | - | (26) | - |
| | 25 | (38) | 2,704 | (214) |

25. Write-back of/(allowance for) impairment losses on financial investments and other financial assets

| | The Group and the Bank | | | |
|---|-------------------------------|----------------------|--------------------------------|---------------------|
| | Individual Quarter | | Cumulative Months Ended | |
| | Current | Last year's | Current | Last |
| | quarter ended | quarter ended | year ended | year's ended |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Financial investments | | | | |
| (i) Financial investments at FVOCI | 38 | 51 | (74) | 10 |
| (ii) Financial investments at amortised cost | 1 | 4 | 1 | 22 |
| | 39 | 55 | (73) | 32 |
| (b) Other financial assets: | | | | |
| (i) Clients' and brokers' balances: | | | | |
| - Expected credit losses | 231 | (101) | 888 | (89) |
| - Impaired clients' and brokers' balances recovered | - | 16 | - | 54 |
| (ii) Other assets | 195 | (48) | (179) | (56) |
| | 426 | (133) | 709 | (91) |
| | 465 | (78) | 636 | (59) |

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26. 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 | |
|---|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Outstanding credit exposures with connected parties | 3,009 | 5,723 |
| Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures | 3.67% | 3.17% |
| Percentage of outstanding credit exposures with connected parties which is non-performing or in default | 0.00% | 0.00% |

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EXPLANATORY NOTES

27. 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 | |
|--|--|--|
| | 31.12.2020 | 30.06.2020 |
| | Principal Amount RM'000 | Principal Amount RM'000 |
| Commitments and Contingent Liabilities | | |
| Direct Credit Substitutes | 1,000 | 1,000 |
| Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions | - | 52,352 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity: | | |
| - over one year | 30,000 | 30,000 |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice | | |
| - maturity less than one year | 906,412 | 894,438 |
| | 937,412 | 977,790 |
| Derivative Financial Instruments | | |
| Interest rate related contracts: | | |
| - One year or less | 1,936,311 | 1,365,000 |
| - Over one year to five years | 1,965,450 | 3,030,700 |
| - Over five years | 50,000 | 110,000 |
| Foreign exchange related contracts: | | |
| - One year or less | 1,797,838 | 1,483,909 |
| Equity related contracts: | | |
| - One year or less | 87,740 | - |
| - Over one year to five years | 200 | - |
| | 5,837,539 | 5,989,609 |
| | 6,774,951 | 6,967,399 |

EXPLANATORY NOTES

28. 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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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

| The Group | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|----------------|------------------|----------------|------------------|
| 31.12.2020 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets | | | | |
| Financial assets at FVTPL | 91,483 | 1,087,135 | - | 1,178,618 |
| - Money market instruments | - | 1,052,328 | - | 1,052,328 |
| - Quoted securities | 91,483 | - | - | 91,483 |
| - Unquoted securities | - | 34,807 | - | 34,807 |
| Financial investments at FVOCI | - | 1,108,447 | - | 1,108,447 |
| - Money market instruments | - | 187,442 | - | 187,442 |
| - Unquoted securities | - | 921,005 | - | 921,005 |
| Derivative financial assets | - | 55,597 | - | 55,597 |
| | 91,483 | 2,251,179 | - | 2,342,662 |
| Financial liability | | | | |
| Derivative financial liabilities | - | 80,500 | - | 80,500 |
| 30.06.2020 | | | | |
| Financial assets | | | | |
| Financial assets at FVTPL | 18,121 | 632,119 | 1,432 | 651,672 |
| - Money market instruments | - | 588,325 | - | 588,325 |
| - Quoted securities | 18,121 | - | - | 18,121 |
| - Unquoted securities | - | 43,794 | 1,432 | 45,226 |
| Financial investments at FVOCI | - | 1,266,529 | - | 1,266,529 |
| - Money market instruments | - | 124,569 | - | 124,569 |
| - Unquoted securities | - | 1,141,960 | - | 1,141,960 |
| Derivative financial assets | - | 54,957 | - | 54,957 |
| | 18,121 | 1,953,605 | 1,432 | 1,973,158 |
| Financial liability | | | | |
| Derivative financial liabilities | - | 81,620 | - | 81,620 |

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

| The Bank | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|----------------|------------------|----------------|------------------|
| 31.12.2020 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets | | | | |
| Financial assets at FVTPL | 91,329 | 1,087,135 | - | 1,178,464 |
| - Money market instruments | - | 1,052,328 | - | 1,052,328 |
| - Quoted securities | 91,329 | - | - | 91,329 |
| - Unquoted securities | - | 34,807 | - | 34,807 |
| Financial investments at FVOCI | - | 1,108,447 | - | 1,108,447 |
| - Money market instruments | - | 187,442 | - | 187,442 |
| - Unquoted securities | - | 921,005 | - | 921,005 |
| Derivative financial assets | - | 55,597 | - | 55,597 |
| | 91,329 | 2,251,179 | - | 2,342,508 |
| Financial liability | | | | |
| Derivative financial liabilities | - | 80,500 | - | 80,500 |
| 30.06.2020 | | | | |
| Financial assets | | | | |
| Financial assets at FVTPL | 18,033 | 632,119 | 1,432 | 651,584 |
| - Money market instruments | - | 588,325 | - | 588,325 |
| - Quoted securities | 18,033 | - | - | 18,033 |
| - Unquoted securities | - | 43,794 | 1,432 | 45,226 |
| Financial investments at FVOCI | - | 1,266,529 | - | 1,266,529 |
| - Money market instruments | - | 124,569 | - | 124,569 |
| - Unquoted securities | - | 1,141,960 | - | 1,141,960 |
| Derivative financial assets | - | 54,957 | - | 54,957 |
| | 18,033 | 1,953,605 | 1,432 | 1,973,070 |
| Financial liability | | | | |
| Derivative financial liabilities | - | 81,620 | - | 81,620 |

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

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28. 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 | |
|--|-------------------------------|-------------------|
| | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 |
| Financial assets at FVTPL | | |
| At 1 July | 1,432 | 1,365 |
| Fair value changes recognised in income statements | - | 67 |
| Disposed during the financial period | (1,432) | - |
| At 31 December/30 June | - | 1,432 |

29. 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 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 | 30.06.2020 | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Before deducting proposed dividends: | | | | |
| Common equity tier 1 ("CET1") capital ratio | 31.965% | 42.121% | 31.960% | 42.128% |
| Tier 1 capital ratio | 31.965% | 42.121% | 31.960% | 42.128% |
| Total capital ratio | 41.284% | 52.751% | 41.284% | 52.768% |
| After deducting proposed dividends:⁽¹⁾ | | | | |
| CET1 capital ratio | 31.965% | 35.498% | 31.960% | 35.500% |
| Tier 1 capital ratio | 31.965% | 35.498% | 31.960% | 35.500% |
| Total capital ratio | 41.284% | 46.129% | 41.284% | 46.139% |

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2020: RM66,000,000).

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29. 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 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 | 30.06.2020 | 31.12.2020 | 30.06.2020 |
| | 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 | 213,903 | 279,903 | 213,828 | 279,828 |
| Other reserves | 9,012 | 9,349 | 9,012 | 9,349 |
| Less: goodwill and intangibles | (30,822) | (31,380) | (30,822) | (31,380) |
| Less: deferred tax assets | (75,796) | (85,925) | (75,796) | (85,925) |
| Less: investment in subsidiary companies | - | - | (200) | (200) |
| Less: 55% of cumulative gains of financial investments at FVOCI | (4,957) | (5,142) | (4,957) | (5,142) |
| Total CET1 Capital | 364,290 | 419,755 | 364,015 | 419,480 |
| Tier 1 Capital | 364,290 | 419,755 | 364,015 | 419,480 |
| Tier 2 Capital | | | | |
| Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾ | 6,193 | 5,940 | 6,193 | 5,940 |
| Subordinated obligations | 100,000 | 100,000 | 100,000 | 100,000 |
| Total Tier 2 Capital | 106,193 | 105,940 | 106,193 | 105,940 |
| Total Capital | 470,483 | 525,695 | 470,208 | 525,420 |

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 | |
|------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2020 | 30.06.2020 | 31.12.2020 | 30.06.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Credit risk | 495,443 | 476,447 | 495,402 | 476,122 |
| Market risk | 348,405 | 257,343 | 348,097 | 257,167 |
| Operational risk | 295,787 | 262,761 | 295,466 | 262,434 |
| | 1,139,635 | 996,551 | 1,138,965 | 995,723 |

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30. Significant events during the financial quarter ended 31 December 2020

COVID-19 pandemic

As the current situation is unprecedented, and it is difficult to predict the economic impact, the Group and the Bank will continue monitoring the situation closely and continue to assess the impact on the Group and the Bank's earnings as the situation develops.

31. Changes in the composition of the Group

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

32. 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.

33. Review of performance for the financial quarter ended 31 December 2020 against the corresponding financial quarter

For the current financial quarter ended 31 December 2020, the Group recorded a profit before tax of RM42.3 million, as compared to a RM12.5 million recorded in the corresponding financial quarter. The increase in profit of RM29.8 million was primarily attributable to higher profit contribution from both its Stockbroking Division and Investment Banking Division.

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34. Prospects for 2021

The deployment of Covid-19 vaccination coincides with the rising number of reported cases worldwide. As such, the key to the containment of Covid-19 virus is the effectiveness of the vaccination and thereafter sufficient production for the mass public. While the real economy will take longer to recover, market is always and will remain as a leading indicator. Hence wise, both the equity and bond markets have been performing reasonably well entering the new calendar year. However, we might expect a market correction should there be renewed implementation of lock down worldwide and uncertainties surrounding the effectiveness of the vaccine.

On a positive note, we foresee better economic growth for calendar year 2021 year-on-year due to higher economic activities (targeted rather than blanket lock-down) and low base effect. In addition, business owners are adjusting and embracing the new norm following a steep learning curve for the last one year. While the pick-up in economic activities will be a catalyst for the equity market, Malaysia's government bond market shall remain attractive aided by its higher yield. On the flip side, S&P and Moodys' stance on Malaysia's sovereign rating will be closely monitored particularly by the foreign fund managers following the rating downgrade by Fitch.

We view the COVID-19 outbreak and consequential Movement Control Order ("MCO") as a catalyst to sharpen our business continuity measures and to further accelerate innovating the way we do business. The Group will continue to be proactive in harnessing digital technologies to build an operating environment that our stakeholders expect. To achieve this, we will continue to invest in technology to further enhance our efficiency and productivity as well as to adjust to the new normal.

Enhancing and tightening cybersecurity will also be one of our focus moving into FY2021. As the Group is progressively changing its way of doing business to cope with the new normal and more focus put on serving our clients through digital channels which created a surge in demand for digital capabilities, products and services, there are new risks that our cybersecurity team need to address to support business continuity while protecting our business and clients.

Going forward and in view of the recent imposed Movement Control Order 2.0 ("CMCO 2.0"), the Group will continue to execute our business strategies, sharpen our business continuity measures and continue to improve on our digital solutions as well as manage cost efficiency and drive productivity with the objective to deliver long-term sustainable growth as well as increase shareholder value.