

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		230,436	440,318	228,694	438,100
Deposits and placements with banks and other financial institutions		40,359	200,243	40,359	200,059
Financial assets at fair value through profit or loss	8	1,416,719	921,047	1,416,719	921,047
Financial investments available-for-sale	9	865,113	799,436	864,761	799,196
Financial investments held-to-maturity	10	528,100	380,255	528,100	380,255
Derivative financial assets	17	42,694	43,059	42,694	43,059
Loans and advances	11	372,162	325,983	372,162	325,983
Clients' and brokers' balances	12	192,239	188,838	192,239	188,838
Other assets	13	45,679	24,391	45,674	24,385
Statutory deposits with Bank Negara Malaysia		32,400	56,180	32,400	56,180
Investment in subsidiaries		-	-	361	384
Deferred tax assets		91,882	95,002	91,882	95,002
Property and equipment		5,551	4,508	5,551	4,508
Intangible assets - computer software		5,393	3,549	5,393	3,549
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,897,713	3,511,795	3,895,975	3,509,531
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	1,031,929	841,747	1,031,929	841,747
Deposits and placements of banks and other financial institutions	16	1,904,770	1,847,391	1,904,770	1,847,391
Derivative financial liabilities	17	80,685	57,428	80,685	57,428
Clients' and brokers' balances		241,167	165,143	241,167	165,143
Other liabilities	18	93,264	72,226	91,803	70,260
Subordinated obligations	19	50,247	50,194	50,247	50,194
TOTAL LIABILITIES		3,402,062	3,034,129	3,400,601	3,032,163
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		330,651	312,666	330,374	312,368
TOTAL EQUITY		495,651	477,666	495,374	477,368
TOTAL EQUITY AND LIABILITIES		3,897,713	3,511,795	3,895,975	3,509,531
COMMITMENTS AND CONTINGENCIES					
	25	8,731,501	7,412,838	8,731,501	7,412,838
Net assets per ordinary share (RM)		3.00	2.89	3.00	2.89

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
		RM'000	RM'000	RM'000	RM'000
Interest income	20	34,235	32,888	126,930	130,893
Interest expense	21	(22,335)	(23,950)	(85,109)	(88,983)
Net interest income		11,900	8,938	41,821	41,910
Non-interest income	22	26,610	43,757	103,214	116,470
Net income		38,510	52,695	145,035	158,380
Other operating expenses	23	(24,826)	(27,247)	(87,473)	(85,703)
Net operating profit		13,684	25,448	57,562	72,677
(Allowance for)/writeback of impairment losses on loans and advances and other losses	24	(240)	1,056	68	715
Profit before taxation		13,444	26,504	57,630	73,392
Taxation		(8,573)	(7,873)	(1,904)	(7,882)
Net profit for the financial year		4,871	18,631	55,726	65,510
Earnings per share (sen)					
- Basic		3.0	11.3	33.8	39.7
- Diluted		3.0	11.3	33.8	39.7

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Individual Quarter		The Group	
	Current	Last year's	Cumulative	Months Ended
	quarter ended	quarter ended	Current	Last
	30.06.2016	30.06.2015	year ended	year's ended
	RM'000	RM'000	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	4,871	18,631	55,726	65,510
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	2,517	(485)	5,078	3,259
Income tax relating to net fair value changes on financial investments available-for-sale	(603)	145	(1,219)	(791)
Other comprehensive income/(expense) for the financial year, net of tax	1,914	(340)	3,859	2,468
Total comprehensive income for the financial year, net of tax	6,785	18,291	59,585	67,978

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		The Bank				
		Individual Quarter		Cumulative Months Ended		
		Current	Last year's	Current	Last	
Note		quarter ended	quarter ended	year ended	year's ended	
		30.06.2016	30.06.2015	30.06.2016	30.06.2015	
		RM'000	RM'000	RM'000	RM'000	
	Interest income	20	34,235	32,888	126,930	130,893
	Interest expense	21	(22,335)	(23,950)	(85,109)	(88,983)
	Net interest income		11,900	8,938	41,821	41,910
	Non-interest income	22	26,571	43,717	103,029	116,315
	Net income		38,471	52,655	144,850	158,225
	Other operating expenses	23	(24,776)	(27,196)	(87,270)	(85,509)
	Net operating profit		13,695	25,459	57,580	72,716
	(Allowance for)/writeback of impairment losses on loans and advances and other losses	24	(240)	1,056	68	715
	Profit before taxation		13,455	26,515	57,648	73,431
	Taxation		(8,572)	(7,873)	(1,901)	(7,878)
	Net profit for the financial year		4,883	18,642	55,747	65,553
	Earnings per share (sen)					
	- Basic		3.0	11.3	33.8	39.7
	- Diluted		3.0	11.3	33.8	39.7

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	4,883	18,642	55,747	65,553
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	2,517	(485)	5,078	3,259
Income tax relating to net fair value changes on financial investments available-for-sale	(603)	145	(1,219)	(791)
Other comprehensive income/(expense) for the financial year, net of tax	1,914	(340)	3,859	2,468
Total comprehensive income for the financial year, net of tax	6,797	18,302	59,606	68,021

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Attributable to owner of the parent							Total RM'000
		Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits/ RM'000	
The Group									
At 1 July 2015		165,000	-	87,950	196,867	3,031	1,778	23,040	477,666
Net profit for the financial year		-	-	-	-	-	-	55,726	55,726
Other comprehensive income, net of tax		-	-	-	-	-	3,859	-	3,859
Total comprehensive income for the financial year		-	-	-	-	-	3,859	55,726	59,585
Transfer to regulatory reserve		-	-	-	-	532	-	(532)	-
Dividend paid		-	-	-	-	-	-	(41,600)	(41,600)
At 30 June 2016		165,000	-	87,950	196,867	3,563	5,637	36,634	495,651
At 1 July 2014		165,000	1,631	87,950	180,479	-	(690)	39,244	473,614
Net profit for the financial year		-	-	-	-	-	-	65,510	65,510
Other comprehensive income, net of tax		-	-	-	-	-	2,468	-	2,468
Total comprehensive income for the financial year		-	-	-	-	-	2,468	65,510	67,978
Redemption of Redeemable Preference Shares		-	(1,631)	-	-	-	-	-	(1,631)
Transfer to statutory reserve		-	-	-	16,388	-	-	(16,388)	-
Transfer to regulatory reserve		-	-	-	-	3,031	-	(3,031)	-
Dividend paid		-	-	-	-	-	-	(62,295)	(62,295)
At 30 June 2015		165,000	-	87,950	196,867	3,031	1,778	23,040	477,666

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Non-distributable					Distributable		Total RM'000
	Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits/ RM'000	
<u>The Bank</u>								
At 1 July 2015	165,000	-	87,950	196,867	3,031	1,778	22,742	477,368
Net profit for the financial year	-	-	-	-	-	-	55,747	55,747
Other comprehensive income, net of tax	-	-	-	-	-	3,859	-	3,859
Total comprehensive income for the financial year	-	-	-	-	-	3,859	55,747	59,606
Transfer to regulatory reserve	-	-	-	-	532	-	(532)	-
Dividend paid	-	-	-	-	-	-	(41,600)	(41,600)
At 30 June 2016	165,000	-	87,950	196,867	3,563	5,637	36,357	495,374
At 1 July 2014	165,000	1,631	87,950	180,479	-	(690)	38,903	473,273
Net profit for the financial year	-	-	-	-	-	-	65,553	65,553
Other comprehensive income, net of tax	-	-	-	-	-	2,468	-	2,468
Total comprehensive income for the financial year	-	-	-	-	-	2,468	65,553	68,021
Redemption of Redeemable Preference Shares	-	(1,631)	-	-	-	-	-	(1,631)
Transfer to statutory reserve	-	-	-	16,388	-	-	(16,388)	-
Transfer to regulatory reserve	-	-	-	-	3,031	-	(3,031)	-
Dividend paid	-	-	-	-	-	-	(62,295)	(62,295)
At 30 June 2015	165,000	-	87,950	196,867	3,031	1,778	22,742	477,368

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	The Group		The Bank	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	57,630	73,392	57,648	73,431
Adjustments for non-cash items	(50,946)	(61,307)	(50,936)	(61,313)
Operating profit before changes in working capital	6,684	12,085	6,712	12,118
Changes in working capital:				
Net changes in operating assets	(379,896)	574,986	(380,068)	574,887
Net changes in operating liabilities	344,623	(696,268)	345,128	(698,252)
Net income tax paid	(3)	(7)	-	-
Net cash used in operating activities	(28,592)	(109,204)	(28,228)	(111,247)
Net cash used in investing activities	(137,033)	(110,013)	(136,921)	(109,773)
Net cash used in financing activities	(44,257)	(15,430)	(44,257)	(15,430)
Net changes in cash and cash equivalents	(209,882)	(234,647)	(209,406)	(236,450)
Cash and cash equivalents at beginning of financial year	440,318	674,965	438,100	674,550
Cash and cash equivalents at end of financial year	230,436	440,318	228,694	438,100
Cash and cash equivalents comprise:				
Cash and short term funds	230,436	440,318	228,694	438,100

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2015.

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 30 June 2016 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2015. 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 2015.

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 2015, except for the revision to Bank Negara Malaysia's ("BNM") Policy:

Revised BNM Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. The issuance of this revised policy document has superseded two guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ("R&R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months.

The requirements in the BNM revised Policy Document are effective on 1 January 2015, except for the following:

- (i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System ("CCRIS") will be effective on or after 1 April 2015; and
- (ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

The Group and the Bank have complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group and the Bank have early adopted the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance since financial year 30 June 2015. The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM's Capital Adequacy Framework (Capital Components).

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

EXPLANATORY NOTES

1. Basis of preparation (continued)

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 cyclical nature 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 30 June 2016.

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 30 June 2016.

6. Issuance and repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 June 2016.

7. Dividends

There were no dividends paid during the financial quarter ended 30 June 2016.

The Directors of the Bank recommend the payment of a final single-tier dividend of 31.6969 sen per share on the Bank's issued and paid-up ordinary share capital, amounting to RM52,299,885 for the financial year ended 30 June 2016.

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

EXPLANATORY NOTES

8. Financial assets at fair value through profit or loss

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Securities	-	30,772
Negotiable instruments of deposits	763,252	-
Bankers' acceptances	-	426,775
	763,252	457,547
Quoted securities		
In Malaysia:		
Shares	14,450	21,597
Unquoted securities		
Foreign currency bonds	21,057	62,718
Corporate bond and/or sukuk	617,820	379,023
	638,877	441,741
	1,416,579	920,885
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	140	162
	1,416,719	921,047

9. Financial investments available-for-sale

	The Group		The Bank	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	30,606	102,399	30,606	102,399
Malaysian Government Investment Issues	30,889	80,368	30,889	80,368
Cagamas bonds	15,094	15,051	15,094	15,051
	76,589	197,818	76,589	197,818
Quoted securities				
Unit trust investment	352	240	-	-
Unquoted securities				
Shares	245	245	245	245
Foreign currency bonds	168,754	199,674	168,754	199,674
Corporate bond and/or sukuk	619,173	401,459	619,173	401,459
	788,172	601,378	788,172	601,378
	865,113	799,436	864,761	799,196

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

EXPLANATORY NOTES

10. Financial investments held-to-maturity

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	81,194	51,097
Malaysian Government Investment Issues	266,161	20,397
	347,355	71,494
Unquoted securities		
Foreign currency bonds	125,456	248,387
Corporate bond and/or sukuk	55,289	60,374
	180,745	308,761
	528,100	380,255

11. Loans and advances

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
Term loan financing	84,527	143,066
Share margin financing	288,004	183,183
Staff loans	71	78
Other loans	574	659
Gross loans and advances	373,176	326,986
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(100)	(111)
- collective assessment allowance	(914)	(892)
Total net loans and advances	372,162	325,983

(i) Gross loans and advances disbursed by type of customers are as follows:

Domestic business enterprises		
- Small and medium enterprises	20,273	45,111
- Others	216,899	158,948
Individuals	127,909	122,927
Foreign entities	8,095	-
	373,176	326,986

(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:

Variable rate	372,531	326,249
Fixed rate		
- Staff housing loans	71	78
- Other fixed rate loans	574	659
	373,176	326,986

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

EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
(iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	308,648	276,377
One year to three years	64,457	30,703
Three years to five years	-	19,829
Over five years	71	77
	373,176	326,986
(iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	33,969	103,359
Purchase of securities	338,562	222,890
Purchase of transport vehicles	100	112
Purchase of landed properties	545	625
	373,176	326,986
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	373,176	326,986
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	623	853
Impaired during the financial year	-	3
Amount written-back during the financial year	(38)	(233)
Amount written-off during the financial year	(11)	-
At 30 June	574	623
(vii) Movements in allowance for loans and advances are as follows:		
Individual assessment allowance		
At 1 July	111	194
Allowance written-back during the financial year	-	(83)
Allowance written-off during the financial year	(11)	-
At 30 June	100	111
Collective assessment allowance		
At 1 July	892	1,307
Allowance made/(written-back) during the financial year	22	(415)
At 30 June	914	892

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
(viii) Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	100	111
Purchase of landed properties	474	512
	574	623

12. Clients' and brokers' balances

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
Performing accounts	191,148	187,690
Impaired accounts	1,390	1,532
	192,538	189,222
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(282)	(361)
- collective assessment allowance	(17)	(23)
	192,239	188,838

13. Other assets

	The Group		The Bank	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	6	6	-	-
Amount due from related companies	331	192	331	192
Deposits and prepayments	7,235	4,860	7,235	4,860
Fee income receivables	7,743	7,123	7,743	7,123
Collaterals pledged for derivative transactions	27,271	8,965	27,271	8,965
Other receivables	3,093	3,245	3,094	3,245
	45,679	24,391	45,674	24,385

14. Valuation of property and equipment

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

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

15. Deposits from customers

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
Fixed Deposit	1,031,929	841,747
(i) The deposits are sourced from the following customers:		
Government & statutory bodies	873,906	561,996
Business enterprises	144,774	265,602
Individuals	13,249	14,149
	1,031,929	841,747
(ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	1,030,876	841,747
- six months to one year	1,053	-
	1,031,929	841,747

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
Licensed banks	641,635	459,790
Licensed investment banks	-	34,384
Other financial institutions	1,263,135	1,353,217
	1,904,770	1,847,391

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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
30.06.2016			
Interest rate related contracts:			
- Interest rate swaps	5,413,500	19,664	(36,729)
- Futures	139,893	-	(1,567)
- Cross currency swaps	120,945	3,412	(11,085)
Foreign exchange related contracts:			
- Foreign currency swaps	2,308,659	18,347	(30,597)
- Foreign currency forwards	45,938	-	(696)
Equity related contracts:			
- Futures	5,032	-	(11)
- Call options	7,000	1,271	-
	8,040,967	42,694	(80,685)
30.06.2015			
Interest rate related contracts:			
- Interest rate swaps	4,169,500	6,968	(18,976)
- Futures	301,872	625	(265)
- Cross currency swaps	226,395	2,999	(6,016)
Foreign exchange related contracts:			
- Foreign currency swaps	1,908,226	28,910	(32,165)
- Foreign currency forwards	61,802	457	(6)
- Foreign currency spots	1,166	3	-
Equity related contracts:			
- Call options	8,500	3,097	-
	6,677,461	43,059	(57,428)

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18. Other liabilities

	The Group		The Bank	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Amount due to holding company	1,283	317	1,283	317
Amount due to a subsidiary companies	-	-	1	-
Remisiers' trust deposits	12,998	13,544	12,998	13,544
Other payables and accrued liabilities	78,786	58,221	77,324	56,255
Provision for post employment benefits	197	144	197	144
	93,264	72,226	91,803	70,260

19. Subordinated obligations

	The Group and the Bank	
	30.06.2016	30.06.2015
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	407	407
	50,407	50,407
Less: Unamortised discounts	(160)	(213)
	50,247	50,194

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.

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20. Interest income

	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
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Loans and advances	5,171	6,419	20,508	24,739
Money at call and deposit placements with financial institutions	542	1,962	3,713	14,733
Financial assets at fair value through profit or loss	12,280	12,175	38,079	39,396
Financial investments available-for-sale	8,460	6,242	34,744	28,042
Financial investments held-to-maturity	3,672	2,807	14,233	11,225
Derivative financial instruments	1,673	1,348	5,836	4,276
Others	2,437	1,935	9,817	8,482
Total interest income	34,235	32,888	126,930	130,893

21. Interest expense

	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
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	6,167	3,637	23,053	16,784
Deposits from customers	12,986	16,205	47,668	61,045
Derivative financial instruments	2,427	3,331	11,408	8,937
Subordinated notes	661	653	2,710	1,698
Others	94	124	270	519
	22,335	23,950	85,109	88,983

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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
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,714	2,342	6,204	11,811
Arranger fees	4,780	2,866	15,428	8,849
Underwriting commissions	442	886	1,206	886
Brokerage income	12,227	14,249	52,535	58,165
Fees on loans and advances	1	124	320	1,242
Other fee income	3,175	9,661	18,108	23,711
	22,339	30,128	93,801	104,664
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	10,779	3,863	15,090	6,710
- financial investments available-for-sale	1,010	1,212	1,003	3,160
- derivative financial instruments	27,933	(2,998)	(13,414)	(3,391)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(6,861)	1,543	(2,770)	1,857
- derivative financial instruments	(10,072)	18,916	(24,272)	(12,812)
Dividend income from:				
- financial assets at fair value through profit or loss	-	49	1,946	772
- financial investments available-for-sale	73	73	73	73
	22,862	22,658	(22,344)	(3,631)
<u>Other income:</u>				
Gain on disposal of property and equipment	4	10	4	4
Gain on liquidation of subsidiaries	-	-	589	2
Foreign exchange (loss)/gain	(18,808)	(9,062)	30,914	15,311
Other non-operating income	213	23	250	120
	(18,591)	(9,029)	31,757	15,437
	26,610	43,757	103,214	116,470

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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
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,714	2,342	6,204	11,811
Arranger fees	4,780	2,866	15,428	8,849
Underwriting commissions	442	886	1,206	886
Brokerage income	12,227	14,249	52,535	58,165
Fees on loans and advances	1	124	320	1,242
Other fee income	3,135	9,620	17,933	23,550
	22,299	30,087	93,626	104,503
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	10,779	3,863	15,090	6,710
- financial investments available-for-sale	1,010	1,212	1,003	3,160
- derivative financial instruments	27,933	(2,998)	(13,414)	(3,391)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(6,861)	1,543	(2,770)	1,857
- derivative financial instruments	(10,072)	18,916	(24,272)	(12,812)
Dividend income from:				
- financial assets at fair value through profit or loss	-	49	1,946	772
- financial investments available-for-sale	73	73	73	73
	22,862	22,658	(22,344)	(3,631)
<u>Other income:</u>				
Gain on disposal of property and equipment	4	10	4	4
Gain on liquidation of subsidiaries	-	1	579	8
Foreign exchange (loss)/gain	(18,808)	(9,062)	30,914	15,311
Other non-operating income	214	23	250	120
	(18,590)	(9,028)	31,747	15,443
	26,571	43,717	103,029	116,315

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23. Other operating expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	16,342	19,041	54,364	53,081
Promotion and marketing related expenses	762	464	2,131	2,647
Establishment related expenses	4,059	3,718	15,624	15,058
General administrative expenses	3,663	4,024	15,354	14,917
	24,826	27,247	87,473	85,703
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	14,066	18,051	45,353	46,132
Defined contribution plan	1,530	1,259	5,762	5,435
Write-back of option charge arising from ESOS	-	(922)	-	(1,089)
Other employee benefits	746	653	3,249	2,603
	16,342	19,041	54,364	53,081
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	5	2	40	46
Entertainment and business improvement	606	430	1,762	2,486
Others	151	32	329	115
	762	464	2,131	2,647
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	458	382	1,647	1,729
Amortisation of intangible assets	496	289	1,454	847
Rental expenses	1,242	1,307	5,633	5,422
Others	1,863	1,740	6,890	7,060
	4,059	3,718	15,624	15,058
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit fees	48	64	261	275
- Regulatory related fees	23	23	23	23
- Tax compliance fee	14	13	14	13
- Other fees	17	133	17	133
Legal and professional fees	708	930	3,161	3,391
Others	2,853	2,861	11,878	11,082
	3,663	4,024	15,354	14,917

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EXPLANATORY NOTES

23. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	16,305	19,007	54,225	52,954
Promotion and marketing related expenses	762	464	2,131	2,647
Establishment related expenses	4,048	3,707	15,576	15,012
General administrative expenses	3,661	4,018	15,338	14,896
	24,776	27,196	87,270	85,509
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	14,035	18,022	45,235	46,024
Defined contribution plan	1,524	1,254	5,741	5,416
Write-back of option charge arising from ESOS	-	(922)	-	(1,089)
Other employee benefits	746	653	3,249	2,603
	16,305	19,007	54,225	52,954
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	5	2	40	46
Entertainment and business improvement	606	430	1,762	2,486
Others	151	32	329	115
	762	464	2,131	2,647
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	458	382	1,647	1,729
Amortisation of intangible assets	496	289	1,454	847
Rental expenses	1,233	1,299	5,599	5,390
Others	1,861	1,737	6,876	7,046
	4,048	3,707	15,576	15,012
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit fees	47	62	254	268
- Regulatory related fees	23	23	23	23
- Tax compliance fee	14	13	14	13
- Other fees	17	133	17	133
Legal and professional fees	708	930	3,161	3,391
Others	2,852	2,857	11,869	11,068
	3,661	4,018	15,338	14,896

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24. (Allowance for)/write-back of impairment losses on loans and advances and other losses

	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
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Write-back of/(allowance for) losses on impaired loans and advances:				
(a) Individual assessment allowance				
- written-back during the financial year	-	-	-	83
(b) Collective assessment (made)/written-back during the financial year	(337)	742	(22)	415
Bad debts on loans & advances				
- recovered	-	-	5	-
Write-back of/(allowance for) losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial year	(47)	122	(150)	(97)
- written-back during the financial year	138	81	229	106
(b) Collective assessment written-back/(made) during the financial year	6	(10)	6	(8)
Bad debts on clients' and brokers' balances				
- recovered	-	110	-	110
Write-back of losses on other debtors				
(a) Individual assessment allowance				
- written-back during the financial year	-	11	-	106
	(240)	1,056	68	715

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25. 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	
	30.06.2016	30.06.2015
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	1,000	8,000
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	2,165	1,781
- maturity over one year	589	2,719
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	686,780	722,877
	690,534	735,377
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,388,708	1,555,070
- Over one year to five years	3,630,630	2,617,697
- Over five years	655,000	525,000
Foreign exchange related contracts:		
- One year or less	2,354,597	1,971,194
Equity related contracts:		
- One year or less	5,032	-
- Over one year to five years	7,000	8,500
	8,040,967	6,677,461
	8,731,501	7,412,838

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EXPLANATORY NOTES

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

Determination of fair value and fair value hierarchy

The Group	Level 1	Level 2	Level 3	Total
30.06.2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	14,450	1,402,269	-	1,416,719
- Money market instruments	-	763,252	-	763,252
- Quoted securities	14,450	140	-	14,590
- Unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	352	864,516	245	865,113
- Money market instruments	-	76,589	-	76,589
- Quoted securities	352	-	-	352
- Unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	14,802	2,309,479	245	2,324,526
Financial liability				
Derivative financial liabilities	-	80,685	-	80,685
30.06.2015				
Financial assets				
Financial assets at fair value through profit or loss	21,597	899,450	-	921,047
- Money market instruments	-	457,547	-	457,547
- Quoted securities	21,597	162	-	21,759
- Unquoted securities	-	441,741	-	441,741
Financial investments available-for-sale	240	798,951	245	799,436
- Money market instruments	-	197,818	-	197,818
- Quoted securities	240	-	-	240
- Unquoted securities	-	601,133	245	601,378
Derivative financial assets	-	43,059	-	43,059
	21,837	1,741,460	245	1,763,542
Financial liability				
Derivative financial liabilities	-	57,428	-	57,428

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26. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Bank	Level 1	Level 2	Level 3	Total
30.06.2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	14,450	1,402,269	-	1,416,719
- Money market instruments	-	763,252	-	763,252
- Quoted securities	14,450	140	-	14,590
- Unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	-	864,516	245	864,761
- Money market instruments	-	76,589	-	76,589
- Unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	14,450	2,309,479	245	2,324,174
Financial liability				
Derivative financial liabilities	-	80,685	-	80,685
30.06.2015				
Financial assets				
Financial assets at fair value through profit or loss	21,597	899,450	-	921,047
- Money market instruments	-	457,547	-	457,547
- Quoted securities	21,597	162	-	21,759
- Unquoted securities	-	441,741	-	441,741
Financial investments available-for-sale	-	798,951	245	799,196
- Money market instruments	-	197,818	-	197,818
- Unquoted securities	-	601,133	245	601,378
Derivative financial assets	-	43,059	-	43,059
	21,597	1,741,460	245	1,763,302
Financial liability				
Derivative financial liabilities	-	57,428	-	57,428

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

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EXPLANATORY NOTES

26. 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	Financial investments available-for-sale	
	30.06.2016	30.06.2015
	RM'000	RM'000
At beginning/end of financial year	<u>245</u>	<u>245</u>

27. 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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	29.225%	23.695%	29.202%	23.683%
Tier 1 capital ratio	29.225%	23.695%	29.202%	23.683%
Total capital ratio	33.608%	27.380%	33.576%	27.355%
After deducting proposed dividends: ⁽¹⁾				
CET1 capital ratio	25.011%	20.847%	24.986%	20.832%
Tier 1 capital ratio	25.011%	20.847%	24.986%	20.832%
Total capital ratio	29.394%	24.532%	29.360%	24.504%

Note:

⁽¹⁾ Proposed dividends of RM52,300,000 (2015: RM41,600,000).

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EXPLANATORY NOTES

27. 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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
CET1 Capital				
Paid-up ordinary share capital	165,000	165,000	165,000	165,000
Share premium	87,950	87,950	87,950	87,950
Retained profits	36,634	23,040	36,357	22,742
Other reserves	202,504	198,645	202,504	198,645
Less: goodwill and intangibles	(34,379)	(32,535)	(34,379)	(32,535)
Less: deferred tax assets	(91,882)	(95,002)	(91,882)	(95,002)
Less: investment in subsidiary companies	-	-	(217)	(154)
Less: 55% of cumulative gains of financial instruments available-for-sale	(3,100)	(978)	(3,100)	(978)
Total CET1 Capital	362,727	346,120	362,233	345,668
Tier 1 Capital	362,727	346,120	362,233	345,668
Tier 2 Capital				
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	4,394	3,825	4,394	3,825
Subordinated obligations	50,000	50,000	50,000	50,000
Regulatory adjustments:				
- Investment in subsidiary companies	-	-	(144)	(230)
Total Tier 2 Capital	54,394	53,825	54,250	53,595
Total Capital	417,121	399,945	416,483	399,263

Note:

(2) Excludes collective assessment allowance attributable to loans and advances classified as impaired.

(3) Includes the qualifying regulatory reserve for non-impaired loans and advances of RM3,563,000 (2015: RM3,031,000).

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

	The Group		The Bank	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Credit risk	520,793	678,755	520,091	678,033
Market risk	416,042	483,713	416,042	483,713
Operational risk	304,312	298,237	304,287	297,840
	1,241,147	1,460,705	1,240,420	1,459,586

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

EXPLANATORY NOTES

28. Significant events during the financial quarter ended 30 June 2016

There were no material significant events during the financial quarter.

29. Changes in the composition of the Group

There were no changes in composition of the Group since last financial quarter, except for the following:

On 15 July 2016, the liquidator of HLG Nominee (Asing) Sdn Bhd ("HLG Nominee"), a wholly-owned subsidiary of HLIB which in turn is a wholly-owned subsidiary of HLCB, had convened the final meeting for HLG Nominee to conclude the member's voluntary winding-up of HLG Nominee.

The Return by Liquidator Relating to Final Meeting of HLG Nominee was lodged on 15 July 2016 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, HLG Nominee will be dissolved.

30. 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.

31. Review of performance for the financial quarter ended 30 June 2016 against the corresponding financial quarter

For the current financial quarter ended 30 June 2016, the Group recorded a profit before tax of RM13.4 million, as compared to a RM26.5 million recorded in the corresponding financial quarter. The decrease in profit of RM13.1 million was primarily attributable to the lower income earned from its Investment Banking Division.

32. Prospects for 2017

The key focus for the coming financial year is to strengthen and build on the existing stockbroking business and to offer innovative investment banking solutions while leveraging on Hong Leong Group relationship.

On top of this, the Bank seek to capitalize on its enlarged scale from the vesting of business from former HLIB to further improve our market presence.