

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.03.2016	30.06.2015	31.03.2016	30.06.2015
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		377,402	440,318	377,193	438,100
Deposits and placements with banks and other financial institutions		-	200,243	-	200,059
Financial assets at fair value through profit or loss	8	1,332,848	921,047	1,332,848	921,047
Financial investments available-for-sale	9	792,488	799,436	792,089	799,196
Financial investments held-to-maturity	10	367,884	380,255	367,884	380,255
Derivative financial assets	17	64,259	43,059	64,259	43,059
Loans and advances	11	258,952	325,983	258,952	325,983
Clients' and brokers' balances	12	272,380	188,838	272,380	188,838
Other assets	13	44,835	24,391	44,829	24,385
Statutory deposits with Bank Negara Malaysia		29,000	56,180	29,000	56,180
Investment in subsidiaries		-	-	361	384
Deferred tax assets		101,057	95,002	101,057	95,002
Property and equipment		5,797	4,508	5,797	4,508
Intangible assets - computer software		3,168	3,549	3,168	3,549
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,679,056	3,511,795	3,678,803	3,509,531
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	902,949	841,747	902,949	841,747
Deposits and placements of banks and other financial institutions	16	1,831,150	1,847,391	1,831,150	1,847,391
Derivative financial liabilities	17	92,545	57,428	92,545	57,428
Clients' and brokers' balances		226,132	165,143	226,132	165,143
Other liabilities	18	86,507	72,226	86,543	70,260
Subordinated obligations	19	50,907	50,194	50,907	50,194
TOTAL LIABILITIES		3,190,190	3,034,129	3,190,226	3,032,163
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		323,866	312,666	323,577	312,368
TOTAL EQUITY		488,866	477,666	488,577	477,368
TOTAL EQUITY AND LIABILITIES		3,679,056	3,511,795	3,678,803	3,509,531
COMMITMENTS AND CONTINGENCIES					
	25	7,838,102	7,412,838	7,838,102	7,412,838
Net assets per ordinary share (RM)		2.96	2.89	2.96	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 PERIOD ENDED 31 MARCH 2016

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.03.2016	31.03.2015	31.03.2016	31.03.2015
		RM'000	RM'000	RM'000	RM'000
Interest income	20	31,290	32,577	92,695	98,005
Interest expense	21	(20,621)	(22,154)	(62,774)	(65,033)
Net interest income		10,669	10,423	29,921	32,972
Non-interest income	22	20,084	24,044	76,604	72,713
Net income		30,753	34,467	106,525	105,685
Other operating expenses	23	(19,142)	(17,839)	(62,647)	(58,456)
Net operating profit		11,611	16,628	43,878	47,229
Writeback of/(allowance for) impairment losses on loans and advances and other losses	24	505	(237)	308	(341)
Profit before taxation		12,116	16,391	44,186	46,888
Taxation		2,851	29	6,669	(9)
Net profit for the financial period		14,967	16,420	50,855	46,879
Earnings per share (sen)					
- Basic		9.1	10.0	30.8	28.4
- Diluted		9.1	10.0	30.8	28.4

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 PERIOD ENDED 31 MARCH 2016

	Individual Quarter		The Group	
	Current	Last year's	Cumulative	Months Ended
	quarter ended	quarter ended	Current	Last
	31.03.2016	31.03.2015	year ended	year's ended
	RM'000	RM'000	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	14,967	16,420	50,855	46,879
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	4,594	3,044	2,561	3,744
Income tax relating to net fair value changes on financial investments available-for-sale	(1,103)	(761)	(616)	(936)
Other comprehensive income for the financial period, net of tax	3,491	2,283	1,945	2,808
Total comprehensive income for the financial period, net of tax	18,458	18,703	52,800	49,687

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 PERIOD ENDED 31 MARCH 2016

		The Bank				
		Individual Quarter		Cumulative Months Ended		
		Current	Last year's	Current	Last	
Note		quarter ended	quarter ended	year ended	year's ended	
		31.03.2016	31.03.2015	31.03.2016	31.03.2015	
		RM'000	RM'000	RM'000	RM'000	
	Interest income	20	31,290	32,577	92,695	98,005
	Interest expense	21	(20,621)	(22,154)	(62,774)	(65,033)
	Net interest income		10,669	10,423	29,921	32,972
	Non-interest income	22	20,038	24,007	76,458	72,598
	Net income		30,707	34,430	106,379	105,570
	Other operating expenses	23	(19,085)	(17,786)	(62,494)	(58,313)
	Net operating profit		11,622	16,644	43,885	47,257
	Writeback of/(allowance for) impairment losses on loans and advances and other losses	24	505	(237)	308	(341)
	Profit before taxation		12,127	16,407	44,193	46,916
	Taxation		2,852	31	6,671	(5)
	Net profit for the financial period		14,979	16,438	50,864	46,911
	Earnings per share (sen)					
	- Basic		9.1	10.0	30.8	28.4
	- Diluted		9.1	10.0	30.8	28.4

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 PERIOD ENDED 31 MARCH 2016

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	14,979	16,438	50,864	46,911
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	4,594	3,044	2,561	3,744
Income tax relating to net fair value changes on financial investments available-for-sale	(1,103)	(761)	(616)	(936)
Other comprehensive income for the financial period, net of tax	3,491	2,283	1,945	2,808
Total comprehensive income for the financial period, net of tax	18,470	18,721	52,809	49,719

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 PERIOD ENDED 31 MARCH 2016

<u>The Group</u>	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	
At 1 July 2015		165,000	-	87,950	196,867	3,031	1,778	23,040	477,666
Net profit for the financial period		-	-	-	-	-	-	50,855	50,855
Other comprehensive income, net of tax		-	-	-	-	-	1,945	-	1,945
Total comprehensive income for the financial period		-	-	-	-	-	1,945	50,855	52,800
Transfer to regulatory reserve		-	-	-	-	(494)	-	494	-
Dividend paid		-	-	-	-	-	-	(41,600)	(41,600)
At 31 March 2016		165,000	-	87,950	196,867	2,537	3,723	32,789	488,866
At 1 July 2014		165,000	1,631	87,950	180,479	-	(690)	39,244	473,614
Net profit for the financial period		-	-	-	-	-	-	46,879	46,879
Other comprehensive income, net of tax		-	-	-	-	-	2,808	-	2,808
Total comprehensive income for the financial period		-	-	-	-	-	2,808	46,879	49,687
Dividend paid		-	-	-	-	-	-	(62,295)	(62,295)
At 31 March 2015		165,000	1,631	87,950	180,479	-	2,118	23,828	461,006

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 PERIOD ENDED 31 MARCH 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 period	-	-	-	-	-	-	50,864	50,864
Other comprehensive income, net of tax	-	-	-	-	-	1,945	-	1,945
Total comprehensive income for the financial period	-	-	-	-	-	1,945	50,864	52,809
Transfer from regulatory reserve	-	-	-	-	(494)	-	494	-
Dividend paid	-	-	-	-	-	-	(41,600)	(41,600)
At 31 March 2016	165,000	-	87,950	196,867	2,537	3,723	32,500	488,577
At 1 July 2014	165,000	1,631	87,950	180,479	-	(690)	38,903	473,273
Net profit for the financial period	-	-	-	-	-	-	46,911	46,911
Other comprehensive income, net of tax	-	-	-	-	-	2,808	-	2,808
Total comprehensive income for the financial period	-	-	-	-	-	2,808	46,911	49,719
Dividend paid	-	-	-	-	-	-	(62,295)	(62,295)
At 31 March 2015	165,000	1,631	87,950	180,479	-	2,118	23,519	460,697

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 PERIOD ENDED 31 MARCH 2016

	The Group		The Bank	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	44,186	46,888	44,193	46,916
Adjustments for non-cash items	(46,382)	(20,845)	(46,371)	(20,845)
Operating (loss)/profit before changes in working capital	(2,196)	26,043	(2,178)	26,071
Changes in working capital:				
Net changes in operating assets	(210,823)	235,271	(210,995)	235,277
Net changes in operating liabilities	120,231	(433,572)	122,233	(433,583)
Net income tax paid	(2)	(7)	-	-
Net cash used in operating activities	(92,790)	(172,265)	(90,940)	(172,235)
Net cash generated from investing activities	72,810	7,028	72,969	7,028
Net cash used in financing activities	(42,936)	(12,485)	(42,936)	(12,485)
Net changes in cash and cash equivalents	(62,916)	(177,722)	(60,907)	(177,692)
Cash and cash equivalents at beginning of financial period	440,318	674,965	438,100	674,550
Cash and cash equivalents at end of financial period	377,402	497,243	377,193	496,858
Cash and cash equivalents comprise:				
Cash and short term funds	377,402	497,243	377,193	496,858

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 31 March 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 31 March 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 31 March 2016.

6. Issuance and repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 March 2016.

7. Dividends

There were no dividends paid during the financial quarter ended 31 March 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	
	31.03.2016	30.06.2015
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Securities	-	30,772
Malaysian Government Investment Issues	70,322	-
Cagamas bonds	20,646	-
Negotiable instruments of deposits	551,129	-
Bankers' acceptances	-	426,775
	642,097	457,547
Quoted securities		
In Malaysia:		
Shares	20,548	21,597
Unquoted securities		
Foreign currency bonds	20,133	62,718
Private and Islamic debt securities	649,908	379,023
	670,041	441,741
	1,332,686	920,885
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	162	162
	1,332,848	921,047

9. Financial investments available-for-sale

	The Group		The Bank	
	31.03.2016	30.06.2015	31.03.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	41,210	102,399	41,210	102,399
Malaysian Government Investment Issues	30,700	80,368	30,700	80,368
Cagamas bonds	15,115	15,051	15,115	15,051
	87,025	197,818	87,025	197,818
Quoted securities				
Unit trust investment	399	240	-	-
Unquoted securities				
Shares	245	245	245	245
Foreign currency bonds	119,313	199,674	119,313	199,674
Private and Islamic debt securities	585,506	401,459	585,506	401,459
	705,064	601,378	705,064	601,378
	792,488	799,436	792,089	799,196

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

EXPLANATORY NOTES

10. Financial investments held-to-maturity

	The Group and the Bank	
	31.03.2016	30.06.2015
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	80,456	51,097
Malaysian Government Investment Issues	109,983	20,397
	190,439	71,494
Unquoted securities		
Foreign currency bonds	121,581	248,387
Private and Islamic debt securities	55,864	60,374
	177,445	308,761
	367,884	380,255

11. Loans and advances

	The Group and the Bank	
	31.03.2016	30.06.2015
	RM'000	RM'000
Term loan financing	74,909	143,066
Share margin financing	184,074	183,183
Staff loans	72	78
Other loans	574	659
Gross loans and advances	259,629	326,986
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(100)	(111)
- collective assessment allowance	(577)	(892)
Total net loans and advances	258,952	325,983

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

Domestic business enterprises		
- Small and medium enterprises	24,268	45,111
- Others	102,522	158,948
Individuals	124,854	122,927
Foreign entities	7,985	-
	259,629	326,986

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

Variable rate	258,983	326,249
Fixed rate		
- Staff housing loans	72	78
- Other fixed rate loans	574	659
	259,629	326,986

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.03.2016	30.06.2015
	RM'000	RM'000
(iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	212,224	276,377
One year to three years	31,948	30,703
Three years to five years	15,385	19,829
Over five years	72	77
	259,629	326,986
(iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	42,961	103,359
Purchase of securities	216,022	222,890
Purchase of transport vehicles	100	112
Purchase of landed properties	546	625
	259,629	326,986
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	259,629	326,986
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	623	853
Impaired during the financial period/year	-	3
Amount written-back during the financial period/year	(38)	(233)
Amount written-off during the financial period/year	(11)	-
At 31 March/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 period/year	-	(83)
Allowance written-off during the financial period/year	(11)	-
At 31 March/30 June	100	111
Collective assessment allowance		
At 1 July	892	1,307
Allowance written-back during the financial period/year	(315)	(415)
At 31 March/30 June	577	892

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.03.2016	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	
	31.03.2016	30.06.2015
	RM'000	RM'000
Performing accounts	270,152	187,690
Impaired accounts	2,624	1,532
	272,776	189,222
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(374)	(361)
- collective assessment allowance	(22)	(23)
	272,380	188,838

13. Other assets

	The Group		The Bank	
	31.03.2016	30.06.2015	31.03.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	6	6	-	-
Amount due from related companies	950	192	950	192
Deposits and prepayments	5,766	4,860	5,766	4,860
Fee income receivables	12,990	7,123	12,990	7,123
Collaterals pledged for derivative transactions	20,170	8,965	20,170	8,965
Other receivables	4,953	3,245	4,953	3,245
	44,835	24,391	44,829	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
(Company No: 10209-W)

EXPLANATORY NOTES

15. Deposits from customers

	The Group and the Bank	
	31.03.2016	30.06.2015
	RM'000	RM'000
Fixed Deposit	902,949	841,747
(i) By Type of deposit		
Fixed Deposit	902,949	841,747
(ii) By Type of customer		
Government & statutory bodies	531,682	561,996
Business enterprises	359,139	265,602
Individuals	12,128	14,149
	902,949	841,747
(iii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	901,907	841,747
- one year to five years	1,042	-
	902,949	841,747

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.03.2016	30.06.2015
	RM'000	RM'000
Licensed banks	772,599	459,790
Licensed investment banks	-	34,384
Other financial institutions	1,058,551	1,353,217
	1,831,150	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
31.03.2016			
Interest rate related contracts:			
- Interest rate swaps	5,128,500	16,283	(31,041)
- Futures	102,557	40	(188)
- Cross currency swaps	116,985	2,109	(8,604)
Foreign exchange related contracts:			
- Foreign currency swaps	1,745,867	44,254	(51,984)
- Foreign currency forwards	35,415	2	(694)
- Foreign currency spots	26,712	52	(34)
Equity related contracts:			
- Call options	7,000	1,519	-
	7,163,036	64,259	(92,545)
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)

18. Other liabilities

	The Group		The Bank	
	31.03.2016 RM'000	30.06.2015 RM'000	31.03.2016 RM'000	30.06.2015 RM'000
Amount due to holding company	241	317	241	317
Amount due to a subsidiary companies	-	-	1	-
Remisiers' trust deposits	13,163	13,544	13,163	13,544
Advance payments received for corporate exercise	8,702	-	8,702	-
Other payables and accrued liabilities	64,255	58,221	64,290	56,255
Provision for post employment benefits	146	144	146	144
	86,507	72,226	86,543	70,260

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EXPLANATORY NOTES

19. Subordinated obligations

	The Group and the Bank	
	31.03.2016	30.06.2015
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,067	407
	51,067	50,407
Less: Unamortised discounts	(160)	(213)
	50,907	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.

20. Interest income

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.03.2016 RM'000	Last year's quarter ended 31.03.2015 RM'000	Current year ended 31.03.2016 RM'000	Last year's ended 31.03.2015 RM'000
Loans and advances	4,665	6,187	15,337	18,320
Money at call and deposit placements with financial institutions	331	1,838	3,171	12,771
Financial assets at fair value through profit or loss	10,844	9,681	25,799	27,221
Financial investments available-for-sale	8,699	7,908	26,284	21,800
Financial investments held-to-maturity	3,549	2,967	10,561	8,418
Derivative financial instruments	418	1,470	4,163	2,928
Others	2,784	2,526	7,380	6,547
Total interest income	31,290	32,577	92,695	98,005

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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
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	6,558	4,816	16,886	13,147
Deposits from customers	11,694	14,403	34,682	44,840
Derivative financial instruments	1,642	2,152	8,981	5,606
Subordinated notes	667	649	2,049	1,045
Others	60	134	176	395
	20,621	22,154	62,774	65,033

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
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,770	1,986	4,490	9,469
Arranger fees	1,495	2,558	10,648	5,983
Underwriting commissions	267	-	764	-
Brokerage income	13,502	14,215	41,175	43,907
Fees on loans and advances	3	130	371	1,335
Other fee income	1,590	7,497	14,770	13,823
	18,627	26,386	72,218	74,517
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	3,906	3,336	4,311	2,847
- financial investments available-for-sale	347	1,510	(7)	1,948
- derivative financial instruments	5,211	5,540	(41,347)	(393)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	8,754	4,790	4,091	314
- derivative financial instruments	(22,915)	(29,590)	(14,200)	(31,728)
Dividend income from:				
- financial assets at fair value through profit or loss	361	278	1,948	723
	(4,336)	(14,136)	(45,204)	(26,289)
<u>Other income:</u>				
Loss on disposal of property and equipment	-	(5)	-	(6)
Gain on liquidation of subsidiaries	-	2	590	2
Foreign exchange gain	6,088	11,834	49,722	24,373
Other non-operating (expense)/income	(295)	(37)	(722)	116
	5,793	11,794	49,590	24,485
	20,084	24,044	76,604	72,713

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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
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,770	1,986	4,490	9,469
Arranger fees	1,495	2,558	10,648	5,983
Underwriting commissions	267	-	764	-
Brokerage income	13,502	14,215	41,175	43,907
Fees on loans and advances	3	130	371	1,335
Other fee income	1,544	7,455	14,635	13,703
	18,581	26,344	72,083	74,397
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	3,906	3,336	4,311	2,847
- financial investments available-for-sale	347	1,510	(7)	1,948
- derivative financial instruments	5,211	5,540	(41,347)	(393)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	8,754	4,790	4,091	314
- derivative financial instruments	(22,915)	(29,590)	(14,200)	(31,728)
Dividend income from:				
- financial assets at fair value through profit or loss	361	278	1,948	723
	(4,336)	(14,136)	(45,204)	(26,289)
<u>Other income:</u>				
Loss on disposal of property and equipment	-	(5)	-	(6)
Gain on liquidation of subsidiaries	-	7	579	7
Foreign exchange gain	6,088	11,834	49,722	24,373
Other non-operating (expense)/income	(295)	(37)	(722)	116
	5,793	11,799	49,579	24,490
	20,038	24,007	76,458	72,598

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EXPLANATORY NOTES

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
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	10,595	10,005	38,022	34,040
Promotion and marketing related expenses	381	626	1,369	2,183
Establishment related expenses	4,164	3,632	11,565	11,340
General administrative expenses	4,002	3,576	11,691	10,893
	19,142	17,839	62,647	58,456
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	8,414	8,362	31,287	28,081
Defined contribution plan	1,444	1,462	4,232	4,176
Option charge arising from ESOS	-	(525)	-	(167)
Other employee benefits	737	706	2,503	1,950
	10,595	10,005	38,022	34,040
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	-	5	35	44
Entertainment and business improvement	339	612	1,156	2,056
Others	42	9	178	83
	381	626	1,369	2,183
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	422	437	1,189	1,347
Amortisation of intangible assets	316	222	958	558
Rental expenses	1,620	1,394	4,391	4,115
Others	1,806	1,579	5,027	5,320
	4,164	3,632	11,565	11,340
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit fees	74	67	213	211
Legal and professional fees	909	864	2,453	2,461
Others	3,019	2,645	9,025	8,221
	4,002	3,576	11,691	10,893

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EXPLANATORY NOTES

23. Other operating expenses (continued)

	Individual Quarter		The Bank Cumulative Months Ended	
	Current quarter ended 31.03.2016 RM'000	Last year's quarter ended 31.03.2015 RM'000	Current year ended 31.03.2016 RM'000	Last year's ended 31.03.2015 RM'000
Personnel expenses	10,560	9,973	37,920	33,947
Promotion and marketing related expenses	381	626	1,369	2,183
Establishment related expenses	4,147	3,615	11,528	11,305
General administrative expenses	3,997	3,572	11,677	10,878
	19,085	17,786	62,494	58,313
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	8,384	8,335	31,200	28,002
Defined contribution plan	1,439	1,457	4,217	4,162
Option charge arising from ESOS	-	(525)	-	(167)
Other employee benefits	737	706	2,503	1,950
	10,560	9,973	37,920	33,947
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	-	5	35	44
Entertainment and business improvement	339	612	1,156	2,056
Others	42	9	178	83
	381	626	1,369	2,183
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	422	437	1,189	1,347
Amortisation of intangible assets	316	222	958	558
Rental expenses	1,612	1,386	4,366	4,091
Others	1,797	1,570	5,015	5,309
	4,147	3,615	11,528	11,305
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit fees	72	66	207	206
Legal and professional fees	909	864	2,453	2,461
Others	3,016	2,642	9,017	8,211
	3,997	3,572	11,677	10,878

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EXPLANATORY NOTES

24. Write-back of/(allowance for) 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
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	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 period	-	(1)	-	83
(b) Collective assessment written-back/(made) during the financial period	479	(112)	315	(327)
Bad debts on loans & advances				
- recovered	5	-	5	-
Write-back of/(allowance for) losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	9	(78)	(103)	(219)
- written-back/(made) during the financial period	12	(61)	91	25
(b) Collective assessment written-back/(made) during the financial period	-	15	-	2
Write-back of losses on other debtors				
(a) Individual assessment allowance				
- written-back during the financial period	-	-	-	95
	505	(237)	308	(341)

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EXPLANATORY NOTES

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	
	31.03.2016	30.06.2015
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	1,000	8,000
Obligations under underwriting agreement	13,348	-
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	1,023	1,781
- maturity over one year	3,256	2,719
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	656,439	722,877
	675,066	735,377
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,156,552	1,555,070
- Over one year to five years	3,536,490	2,617,697
- Over five years	655,000	525,000
Foreign exchange related contracts:		
- One year or less	1,730,004	1,971,194
- Over one year to five years	77,990	-
Equity related contracts:		
- Over one year to five years	7,000	8,500
	7,163,036	6,677,461
	7,838,102	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
31.03.2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	20,548	1,312,300	-	1,332,848
- Money market instruments	-	642,097	-	642,097
- Quoted securities	20,548	162	-	20,710
- Unquoted securities	-	670,041	-	670,041
Financial investments available-for-sale	399	791,844	245	792,488
- Money market instruments	-	87,025	-	87,025
- Quoted securities	399	-	-	399
- Unquoted securities	-	704,819	245	705,064
Derivative financial assets	-	64,259	-	64,259
	20,947	2,168,403	245	2,189,595
Financial liability				
Derivative financial liabilities	-	92,545	-	92,545
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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EXPLANATORY NOTES

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
31.03.2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	20,548	1,312,300	-	1,332,848
- Money market instruments	-	642,097	-	642,097
- Quoted securities	20,548	162	-	20,710
- Unquoted securities	-	670,041	-	670,041
Financial investments available-for-sale	-	791,844	245	792,089
- Money market instruments	-	87,025	-	87,025
- Unquoted securities	-	704,819	245	705,064
Derivative financial assets	-	64,259	-	64,259
	20,548	2,168,403	245	2,189,196
Financial liability				
Derivative financial liabilities	-	92,545	-	92,545
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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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	
	31.03.2016	30.06.2015
	RM'000	RM'000
At beginning/end of financial year/period	<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	
	31.03.2016	30.06.2015	31.03.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	24.388%	23.695%	24.362%	23.683%
Tier 1 capital ratio	24.388%	23.695%	24.362%	23.683%
Total capital ratio	28.616%	27.380%	28.582%	27.355%
After deducting proposed dividends: ⁽¹⁾				
CET1 capital ratio	24.388%	20.847%	24.362%	20.832%
Tier 1 capital ratio	24.388%	20.847%	24.362%	20.832%
Total capital ratio	28.616%	24.532%	28.582%	24.504%

Note:

⁽¹⁾ Proposed dividends of RM Nil (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	
	31.03.2016	30.06.2015	31.03.2016	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	(18,560)	23,040	(18,858)	22,742
Other reserves	200,590	198,645	200,590	198,645
Less: goodwill and intangibles	(32,154)	(32,535)	(32,154)	(32,535)
Less: deferred tax assets	(95,002)	(95,002)	(95,002)	(95,002)
Less: investment in subsidiary companies	-	-	(217)	(154)
Less: 55% of cumulative gains of financial instruments available-for-sale	(2,048)	(978)	(2,048)	(978)
Total CET1 Capital	305,776	346,120	305,261	345,668
Tier 1 Capital	305,776	346,120	305,261	345,668
Tier 2 Capital				
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	3,017	3,825	3,017	3,825
Subordinated obligations	50,000	50,000	50,000	50,000
Regulatory adjustments:				
- Investment in subsidiary companies	-	-	(144)	(230)
Total Tier 2 Capital	53,017	53,825	52,873	53,595
Total Capital	358,793	399,945	358,134	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 RM2,537,000 (2015: RM3,031,000).

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

	The Group		The Bank	
	31.03.2016	30.06.2015	31.03.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Credit risk	516,675	678,755	516,232	678,033
Market risk	424,199	483,713	424,199	483,713
Operational risk	312,924	298,237	312,586	297,840
	1,253,798	1,460,705	1,253,017	1,459,586

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EXPLANATORY NOTES

28. Significant events during the financial quarter ended 31 March 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.

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 31 March 2016 against the corresponding financial quarter

For the current financial quarter ended 31 March 2016, the Group recorded a profit before tax of RM12.1 million, as compared to a RM16.4 million recorded in the corresponding financial quarter. The decrease in profit of RM4.3 million was primarily attributable to the lower income earned from its Investment Banking Division.

32. Prospects for 2016

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.