

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

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.12.2016	30.06.2016	31.12.2016	30.06.2016
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		111,882	230,436	111,863	228,694
Securities purchased under resale agreements		35,064	-	35,064	-
Deposits and placements with banks and other financial institutions		-	40,359	-	40,359
Financial assets at fair value through profit or loss	8	1,283,167	1,416,719	1,283,167	1,416,719
Financial investments available-for-sale	9	1,028,122	865,113	1,027,784	864,761
Financial investments held-to-maturity	10	813,322	528,100	813,322	528,100
Derivative financial assets	17	42,650	42,694	42,650	42,694
Loans and advances	11	286,841	372,162	286,841	372,162
Clients' and brokers' balances	12	189,044	192,239	189,044	192,239
Other assets	13	48,283	45,679	48,282	45,674
Statutory deposits with Bank Negara Malaysia		26,516	32,400	26,516	32,400
Investment in subsidiaries		-	-	200	361
Deferred tax assets		97,771	91,882	97,771	91,882
Property and equipment		5,502	5,551	5,502	5,551
Intangible assets - computer software		5,834	5,393	5,834	5,393
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		4,002,984	3,897,713	4,002,826	3,895,975
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	968,605	1,031,929	968,605	1,031,929
Deposits and placements of banks and other financial institutions	16	2,196,501	1,904,770	2,196,501	1,904,770
Derivative financial liabilities	17	66,181	80,685	66,181	80,685
Clients' and brokers' balances		187,618	241,167	187,618	241,167
Other liabilities	18	59,255	93,264	59,338	91,803
Subordinated obligations	19	50,258	50,247	50,258	50,247
TOTAL LIABILITIES		3,528,418	3,402,062	3,528,501	3,400,601
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		309,566	330,651	309,325	330,374
TOTAL EQUITY		474,566	495,651	474,325	495,374
TOTAL EQUITY AND LIABILITIES		4,002,984	3,897,713	4,002,826	3,895,975
COMMITMENTS AND CONTINGENCIES					
	25	8,495,360	8,738,501	8,495,360	8,738,501
Net assets per ordinary share (RM)		2.88	3.00	2.87	3.00

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 2016.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000	RM'000
Interest income	20	36,896	31,720	73,526	61,405
Interest expense	21	(25,399)	(20,356)	(51,450)	(42,153)
Net interest income		11,497	11,364	22,076	19,252
Non-interest income	22	31,780	32,983	55,815	56,520
Net income		43,277	44,347	77,891	75,772
Overhead expenses	23	(26,091)	(23,793)	(45,578)	(43,505)
Net operating profit		17,186	20,554	32,313	32,267
Allowance for impairment losses on loans and advances and other losses	24	(163)	(201)	(151)	(197)
Profit before taxation		17,023	20,353	32,162	32,070
Taxation		1,969	916	4,249	3,818
Net profit for the financial period		18,992	21,269	36,411	35,888
Earnings per share (sen)					
- Basic		11.5	12.9	22.1	21.8
- Diluted		11.5	12.9	22.1	21.8

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 2016.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	Individual Quarter		The Group	
	Current	Last year's	Cumulative Months	Ended
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	18,992	21,269	36,411	35,888
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	(7,201)	3,690	(6,836)	(2,033)
Income tax relating to net fair value changes on financial investments available-for-sale	1,728	(886)	1,640	487
Other comprehensive (expense)/income for the financial period, net of tax	(5,473)	2,804	(5,196)	(1,546)
Total comprehensive income for the financial period, net of tax	13,519	24,073	31,215	34,342

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 2016.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	Note	The Bank			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000	RM'000
Interest income	20	36,870	31,720	73,474	61,405
Interest expense	21	(25,399)	(20,356)	(51,450)	(42,153)
Net interest income		11,471	11,364	22,024	19,252
Non-interest income	22	31,776	32,939	55,802	56,420
Net income		43,247	44,303	77,826	75,672
Overhead expenses	23	(26,040)	(23,743)	(45,477)	(43,409)
Net operating profit		17,207	20,560	32,349	32,263
Allowance for impairment losses on loans and advances and other losses	24	(163)	(201)	(151)	(197)
Profit before taxation		17,044	20,359	32,198	32,066
Taxation		1,968	915	4,249	3,819
Net profit for the financial period		19,012	21,274	36,447	35,885
Earnings per share (sen)					
- Basic		11.5	12.9	22.1	21.8
- Diluted		11.5	12.9	22.1	21.8

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 2016.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	19,012	21,274	36,447	35,885
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	(7,201)	3,690	(6,836)	(2,033)
Income tax relating to net fair value changes on financial investments available-for-sale	1,728	(886)	1,640	487
Other comprehensive (expense)/income for the financial period, net of tax	(5,473)	2,804	(5,196)	(1,546)
Total comprehensive income for the financial period, net of tax	13,539	24,078	31,251	34,339

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 2016.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

<u>The Group</u>	Note	Attributable to owner of the parent					Retained profits/ RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000		
At 1 July 2016		165,000	87,950	196,867	3,563	5,637	36,634	495,651
Net profit for the financial period		-	-	-	-	-	36,411	36,411
Other comprehensive expense, net of tax		-	-	-	-	(5,196)	-	(5,196)
Total comprehensive (expense)/income for the financial period		-	-	-	-	(5,196)	36,411	31,215
Transfer from regulatory reserve		-	-	-	(790)	-	790	-
Dividend paid		-	-	-	-	-	(52,300)	(52,300)
At 31 December 2016		165,000	87,950	196,867	2,773	441	21,535	474,566
At 1 July 2015		165,000	87,950	196,867	3,031	1,778	23,040	477,666
Net profit for the financial period		-	-	-	-	-	35,888	35,888
Other comprehensive expense, net of tax		-	-	-	-	(1,546)	-	(1,546)
Total comprehensive (expense)/income for the financial period		-	-	-	-	(1,546)	35,888	34,342
Transfer from regulatory reserve		-	-	-	(217)	-	217	-
Dividend paid		-	-	-	-	-	(41,600)	(41,600)
At 31 December 2015		165,000	87,950	196,867	2,814	232	17,545	470,408

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 2016.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	Non-distributable				Distributable		Total RM'000
	Share capital 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 2016	165,000	87,950	196,867	3,563	5,637	36,357	495,374
Net profit for the financial period	-	-	-	-	-	36,447	36,447
Other comprehensive expense, net of tax	-	-	-	-	(5,196)	-	(5,196)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(5,196)	36,447	31,251
Transfer from regulatory reserve	-	-	-	(790)	-	790	-
Dividend paid	-	-	-	-	-	(52,300)	(52,300)
At 31 December 2016	165,000	87,950	196,867	2,773	441	21,294	474,325
At 1 July 2015	165,000	87,950	196,867	3,031	1,778	22,742	477,368
Net profit for the financial period	-	-	-	-	-	35,885	35,885
Other comprehensive expense, net of tax	-	-	-	-	(1,546)	-	(1,546)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(1,546)	35,885	34,339
Transfer from regulatory reserve	-	-	-	(217)	-	217	-
Dividend paid	-	-	-	-	-	(41,600)	(41,600)
At 31 December 2015	165,000	87,950	196,867	2,814	232	17,244	470,107

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 2016.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016

	The Group		The Bank	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	32,162	32,070	32,198	32,066
Adjustments for non-cash items	(52,816)	(39,199)	(52,816)	(39,188)
Operating loss before changes in working capital	(20,654)	(7,129)	(20,618)	(7,122)
Changes in working capital:				
Net changes in operating assets	192,949	(56,802)	193,114	(56,973)
Net changes in operating liabilities	170,854	26,991	172,398	28,956
Net income tax refund/(paid)	5	(2)	-	-
Net cash generated from/(used in) operating activities	343,154	(36,942)	344,894	(35,139)
Net cash used in investing activities	(408,065)	(118,013)	(408,082)	(117,858)
Net cash used in financing activities	(53,643)	(42,936)	(53,643)	(42,936)
Net changes in cash and cash equivalents	(118,554)	(197,891)	(116,831)	(195,933)
Cash and cash equivalents at beginning of financial period	230,436	440,318	228,694	438,100
Cash and cash equivalents at end of financial period	111,882	242,427	111,863	242,167
Cash and cash equivalents comprise:				
Cash and short term funds	111,882	242,427	111,863	242,167

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 2016.

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

EXPLANATORY NOTES

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 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 2016. 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 2016.

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 2016 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2016:

- Amendments to MFRS 11 'Joint Arrangements'
- Amendments to MFRS 116 'Property Plant and Equipment' and MFRS 138 'Intangible Assets'

The adoption of the above annual improvements and amendments do not give rise to any material financial impact to the Group and to the Bank.

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

2. Audit report

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

3. Seasonality or cyclicity of operations

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

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

EXPLANATORY NOTES

4. Items affecting net income and cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 31 December 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 December 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 December 2016.

7. Dividends

During the financial quarter, a final single-tier dividend of 31.6969 sen per share on the Bank's issued and paid-up share capital comprising of 165,000,000 shares, amounting to RM52,299,885 in respect of the financial year ended 30 June 2016 was paid on 9 November 2016.

8. Financial assets at fair value through profit or loss

	The Group and the Bank	
	31.12.2016	30.06.2016
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Securities	89,797	-
Malaysian Government Investment Issues	114,217	-
Negotiable instruments of deposits	<u>694,410</u>	<u>763,252</u>
	898,424	763,252
Quoted securities		
In Malaysia:		
Shares	31,743	14,450
Unquoted securities		
Foreign currency bonds	16,983	21,057
Corporate bond and/or sukuk	<u>335,877</u>	<u>617,820</u>
	352,860	638,877
	<u>1,283,027</u>	<u>1,416,579</u>
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	140	140
	<u>1,283,167</u>	<u>1,416,719</u>

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

EXPLANATORY NOTES

9. Financial investments available-for-sale

	The Group		The Bank	
	31.12.2016	30.06.2016	31.12.2016	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	30,310	30,606	30,310	30,606
Malaysian Government Investment Issues	51,360	30,889	51,360	30,889
Cagamas bonds	55,186	15,094	55,186	15,094
	136,856	76,589	136,856	76,589
Quoted securities				
Unit trust investment	338	352	-	-
Unquoted securities				
Shares	245	245	245	245
Foreign currency bonds	165,377	168,754	165,377	168,754
Corporate bond and/or sukuk	725,306	619,173	725,306	619,173
	890,928	788,172	890,928	788,172
	1,028,122	865,113	1,027,784	864,761

10. Financial investments held-to-maturity

	The Group and the Bank	
	31.12.2016	30.06.2016
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	211,084	81,194
Malaysian Government Investment Issues	367,450	266,161
	578,534	347,355
Unquoted securities		
Foreign currency bonds	139,058	125,456
Corporate bond and/or sukuk	95,730	55,289
	234,788	180,745
	813,322	528,100

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

EXPLANATORY NOTES

11. Loans and advances

	The Group and the Bank	
	31.12.2016	30.06.2016
	RM'000	RM'000
Term loan financing	60,987	84,527
Share margin financing	225,989	288,004
Staff loans	68	71
Other loans	574	574
Gross loans and advances	287,618	373,176
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(100)	(100)
- collective assessment allowance	(677)	(914)
Total net loans and advances	286,841	372,162
 (i) Gross loans and advances disbursed by type of customers are as follows:		
Domestic business enterprises		
- Small and medium enterprises	20,282	20,273
- Others	175,966	216,899
Individuals	83,759	127,909
Foreign entities	7,611	8,095
	287,618	373,176
 (ii) Gross loans and advances analysed by interest rate sensitivity are as follows:		
Variable rate	286,976	372,531
Fixed rate		
- Staff housing loans	68	71
- Other fixed rate loans	574	574
	287,618	373,176
 (iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	275,565	308,648
One year to three years	11,985	64,457
Over five years	68	71
	287,618	373,176

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

EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.12.2016	30.06.2016
	RM'000	RM'000
(iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	41,932	33,969
Purchase of securities	245,044	338,562
Purchase of transport vehicles	100	100
Purchase of landed properties	542	545
	287,618	373,176
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	287,618	373,176
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	574	623
Amount written-back during the financial period/year	-	(38)
Amount written-off during the financial period/year	-	(11)
At 31 December/30 June	574	574
(vii) Movements in allowance for loans and advances are as follows:		
Individual assessment allowance		
At 1 July	100	111
Allowance written-off during the financial period/year	-	(11)
At 31 December/30 June	100	100
Collective assessment allowance		
At 1 July	914	892
Allowance (written-back)/made during the financial period/year	(237)	22
At 31 December/30 June	677	914
(viii) Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	100	100
Purchase of landed properties	474	474
	574	574

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

EXPLANATORY NOTES

12. Clients' and brokers' balances

	The Group and the Bank	
	31.12.2016	30.06.2016
	RM'000	RM'000
Performing accounts	187,591	191,148
Impaired accounts	1,966	1,390
	189,557	192,538
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(493)	(282)
- collective assessment allowance	(20)	(17)
	189,044	192,239

13. Other assets

	The Group		The Bank	
	31.12.2016	30.06.2016	31.12.2016	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	1	6	-	-
Amount due from related companies	554	331	554	331
Deposits and prepayments	5,814	7,235	5,814	7,235
Fee income receivables	10,744	7,743	10,744	7,743
Collaterals pledged for derivative transactions	27,595	27,271	27,595	27,271
Other receivables	3,575	3,093	3,575	3,094
	48,283	45,679	48,282	45,674

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	
	31.12.2016	30.06.2016
	RM'000	RM'000
Fixed Deposit	968,605	1,031,929
<p>(i) The deposits are sourced from the following customers:</p>		
Government & statutory bodies	676,917	873,906
Business enterprises	271,407	144,774
Individuals	20,281	13,249
	968,605	1,031,929
<p>(ii) The maturity structure of fixed deposits is as follows:</p>		
Due within:		
- six months	916,189	1,030,876
- six months to one year	52,416	1,053
	968,605	1,031,929

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2016	30.06.2016
	RM'000	RM'000
Licensed banks	595,563	641,635
Licensed investment banks	94,016	-
Other financial institutions	1,506,922	1,263,135
	2,196,501	1,904,770

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

EXPLANATORY NOTES

17. Derivative financial assets/liabilities

	The Group and the Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
31.12.2016			
Interest rate related contracts:			
- Interest rate swaps	5,693,500	13,173	(21,884)
- Futures	148,046	351	-
- Cross currency swaps	89,725	60	(19,942)
Foreign exchange related contracts:			
- Foreign currency swaps	1,750,441	28,436	(24,326)
- Foreign currency forwards	21,858	185	(21)
- Foreign currency spots	22	-	-
Equity related contracts:			
- Futures	12,259	-	(8)
- Call options	7,000	445	-
	7,722,851	42,650	(66,181)
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)

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

EXPLANATORY NOTES

18. Other liabilities

	The Group		The Bank	
	31.12.2016	30.06.2016	31.12.2016	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Amount due to holding company	251	1,283	251	1,283
Amount due to a subsidiary companies	-	-	-	1
Remisiers' trust deposits	13,209	12,998	13,209	12,998
Other payables and accrued liabilities	45,595	78,786	45,678	77,324
Provision for post employment benefits	200	197	200	197
	59,255	93,264	59,338	91,803

19. Subordinated obligations

	The Group and the Bank	
	31.12.2016	30.06.2016
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	399	407
	50,399	50,407
Less: Unamortised discounts	(141)	(160)
	50,258	50,247

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.

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

EXPLANATORY NOTES

20. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,987	5,255	10,766	10,672
Money at call and deposit placements with financial institutions	405	1,300	864	2,840
Financial assets at fair value through profit or loss	11,929	7,958	24,689	14,955
Financial investments available-for-sale	9,113	9,114	17,617	17,585
Financial investments held-to-maturity	6,550	3,518	11,731	7,012
Derivative financial instruments	2,090	2,259	3,966	3,745
Others	1,822	2,316	3,893	4,596
Total interest income	36,896	31,720	73,526	61,405

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,987	5,255	10,766	10,672
Money at call and deposit placements with financial institutions	379	1,300	812	2,840
Financial assets at fair value through profit or loss	11,929	7,958	24,689	14,955
Financial investments available-for-sale	9,113	9,114	17,617	17,585
Financial investments held-to-maturity	6,550	3,518	11,731	7,012
Derivative financial instruments	2,090	2,259	3,966	3,745
Others	1,822	2,316	3,893	4,596
Total interest income	36,870	31,720	73,474	61,405

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
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	6,682	6,559	13,034	10,328
Deposits from customers	13,854	9,443	29,287	22,988
Derivative financial instruments	4,144	3,701	7,636	7,339
Subordinated notes	673	671	1,354	1,382
Others	46	(18)	139	116
	25,399	20,356	51,450	42,153

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

EXPLANATORY NOTES

22. Non-interest income

	Individual Quarter		The Group Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	2,828	1,925	3,813	2,720
Arranger fees	4,296	5,879	4,896	9,153
Underwriting commissions	-	285	-	497
Brokerage income	11,618	14,199	24,226	27,155
Fees on loans and advances	1,117	264	1,169	368
Other fee income	4,727	12,128	6,079	13,242
	24,586	34,680	40,183	53,135
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	79	(287)	7,836	405
- financial investments available-for-sale	66	(329)	2,687	(354)
- derivative financial instruments	22,871	(21,744)	19,672	(46,558)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(9,140)	1,988	(9,503)	(4,663)
- derivative financial instruments	21,984	22,572	15,056	8,715
Dividend income from:				
- financial assets at fair value through profit or loss	20	791	410	1,587
- financial investments available-for-sale	3	-	6	-
	35,883	2,991	36,164	(40,868)
<u>Other income:</u>				
Gain on disposal of property and equipment	20	-	102	-
Gain/(loss) on liquidation of subsidiaries	-	590	(7)	590
Foreign exchange (loss)/gain	(28,720)	(5,303)	(20,643)	43,634
Other non-operating income	11	25	16	29
	(28,689)	(4,688)	(20,532)	44,253
Total non-interest income	31,780	32,983	55,815	56,520

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

EXPLANATORY NOTES

22. Non-interest income (continued)

	Individual Quarter		The Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	2,828	1,925	3,813	2,720
Arranger fees	4,296	5,879	4,896	9,153
Underwriting commissions	-	285	-	497
Brokerage income	11,618	14,199	24,226	27,155
Fees on loans and advances	1,117	264	1,169	368
Other fee income	4,726	12,095	6,070	13,153
	24,585	34,647	40,174	53,046
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	79	(287)	7,836	405
- financial investments available-for-sale	66	(329)	2,687	(354)
- derivative financial instruments	22,871	(21,744)	19,672	(46,558)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(9,140)	1,988	(9,503)	(4,663)
- derivative financial instruments	21,984	22,572	15,056	8,715
Dividend income from:				
- financial assets at fair value through profit or loss	20	791	410	1,587
	35,880	2,991	36,158	(40,868)
<u>Other income:</u>				
Gain on disposal of property and equipment	20	-	102	-
Gain/(loss) on liquidation of subsidiaries	-	579	(4)	579
Foreign exchange (loss)/gain	(28,720)	(5,303)	(20,643)	43,634
Other non-operating income	11	25	15	29
	(28,689)	(4,699)	(20,530)	44,242
Total non-interest income	31,776	32,939	55,802	56,420

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

EXPLANATORY NOTES

23. Overhead expenses

	Individual Quarter		The Group Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	17,742	15,541	28,984	27,427
Promotion and marketing related expenses	584	553	1,074	988
Establishment related expenses	3,772	3,656	7,670	7,401
General administrative expenses	3,993	4,043	7,850	7,689
	26,091	23,793	45,578	43,505
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	15,624	13,413	24,762	22,873
Defined contribution plan	1,455	1,390	2,911	2,788
Other employee benefits	663	738	1,311	1,766
	17,742	15,541	28,984	27,427
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	31	34	32	35
Entertainment and business improvement	523	421	954	817
Others	30	98	88	136
	584	553	1,074	988
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	383	419	715	767
Amortisation of intangible assets	675	270	1,392	642
Rental expenses	963	1,380	2,085	2,771
Others	1,751	1,587	3,478	3,221
	3,772	3,656	7,670	7,401
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit fees	68	69	133	139
Legal and professional fees	826	823	1,686	1,544
Others	3,099	3,151	6,031	6,006
	3,993	4,043	7,850	7,689

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

EXPLANATORY NOTES

23. Overhead expenses (continued)

	Individual Quarter		The Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	17,705	15,508	28,910	27,360
Promotion and marketing related expenses	584	553	1,074	988
Establishment related expenses	3,762	3,645	7,650	7,381
General administrative expenses	3,989	4,037	7,843	7,680
	26,040	23,743	45,477	43,409
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	15,592	13,385	24,699	22,816
Defined contribution plan	1,450	1,385	2,900	2,778
Other employee benefits	663	738	1,311	1,766
	17,705	15,508	28,910	27,360
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	31	34	32	35
Entertainment and business improvement	523	421	954	817
Others	30	98	88	136
	584	553	1,074	988
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	383	419	715	767
Amortisation of intangible assets	675	270	1,392	642
Rental expenses	954	1,371	2,068	2,754
Others	1,750	1,585	3,475	3,218
	3,762	3,645	7,650	7,381
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit fees	66	67	129	135
Legal and professional fees	826	823	1,686	1,544
Others	3,097	3,147	6,028	6,001
	3,989	4,037	7,843	7,680

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

EXPLANATORY NOTES

24. Allowance for impairment losses on loans and advances and other losses

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended 31.12.2016 RM'000	quarter ended 31.12.2015 RM'000	year ended 31.12.2016 RM'000	year's ended 31.12.2015 RM'000
Write-back of/(allowance for) losses on impaired loans and advances:				
(a) Collective assessment written-back/(made) during the financial period	191	(171)	237	(164)
Write-back of/(allowance for) losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	(235)	(48)	(294)	(112)
- written-back during the financial period	60	14	83	79
(b) Collective assessment (made)/written-back during the financial period	(5)	4	(3)	-
Allowance for losses on other debtors				
(a) Individual assessment allowance				
- made during the financial period	(174)	-	(174)	-
	(163)	(201)	(151)	(197)

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

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	
	31.12.2016	30.06.2016
	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	85,132	2,165
- maturity over one year	1,792	589
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	684,585	686,780
	772,509	697,534
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,626,271	1,388,708
- Over one year to five years	3,970,000	3,630,630
- Over five years	335,000	655,000
Foreign exchange related contracts:		
- One year or less	1,772,321	2,354,597
Equity related contracts:		
- One year or less	12,259	5,032
- Over one year to five years	7,000	7,000
	7,722,851	8,040,967
	8,495,360	8,738,501

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

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.

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

EXPLANATORY NOTES

26. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

The Group	Level 1	Level 2	Level 3	Total
31.12.2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	31,743	1,251,424	-	1,283,167
- Money market instruments	-	898,424	-	898,424
- Quoted securities	31,743	140	-	31,883
- Unquoted securities	-	352,860	-	352,860
Financial investments available-for-sale	338	1,027,539	245	1,028,122
- Money market instruments	-	136,856	-	136,856
- Quoted securities	338	-	-	338
- Unquoted securities	-	890,683	245	890,928
Derivative financial assets	-	42,650	-	42,650
	32,081	2,321,613	245	2,353,939
Financial liability				
Derivative financial liabilities	-	66,181	-	66,181
30.06.2016				
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

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

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
31.12.2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	31,743	1,251,424	-	1,283,167
- Money market instruments	-	898,424	-	898,424
- Quoted securities	31,743	140	-	31,883
- Unquoted securities	-	352,860	-	352,860
Financial investments available-for-sale	-	1,027,539	245	1,027,784
- Money market instruments	-	136,856	-	136,856
- Unquoted securities	-	890,683	245	890,928
Derivative financial assets	-	42,650	-	42,650
	31,743	2,321,613	245	2,353,601
Financial liability				
Derivative financial liabilities	-	66,181	-	66,181
30.06.2016				
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

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

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

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	
	31.12.2016	30.06.2016
	RM'000	RM'000
At beginning/end of financial year	245	245

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	
	31.12.2016	30.06.2016	31.12.2016	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	20.837%	29.225%	20.819%	29.202%
Tier 1 capital ratio	20.837%	29.225%	20.819%	29.202%
Total capital ratio	24.451%	33.608%	24.429%	33.576%
After deducting proposed dividends: ⁽¹⁾				
CET1 capital ratio	20.837%	25.011%	20.819%	24.986%
Tier 1 capital ratio	20.837%	25.011%	20.819%	24.986%
Total capital ratio	24.451%	29.394%	24.429%	29.360%

Note:

⁽¹⁾ Proposed dividends of RM Nil (2016: RM52,300,000).

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

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	
	31.12.2016	30.06.2016	31.12.2016	30.06.2016
	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	(15,666)	36,634	(15,943)	36,357
Other reserves	197,308	202,504	197,308	202,504
Less: goodwill and intangibles	(34,820)	(34,379)	(34,820)	(34,379)
Less: deferred tax assets	(91,882)	(91,882)	(91,882)	(91,882)
Less: investment in subsidiary companies	-	-	(120)	(217)
Less: 55% of cumulative gains of financial instruments available-for-sale	(243)	(3,100)	(243)	(3,100)
Total CET1 Capital	307,647	362,727	307,250	362,233
Tier 1 Capital	307,647	362,727	307,250	362,233
Tier 2 Capital				
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	3,367	4,394	3,367	4,394
Subordinated obligations	50,000	50,000	50,000	50,000
Regulatory adjustments:				
- Investment in subsidiary companies	-	-	(80)	(144)
Total Tier 2 Capital	53,367	54,394	53,287	54,250
Total Capital	361,014	417,121	360,537	416,483

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 RM2,773,000 (2016: RM3,563,000).

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

	The Group		The Bank	
	31.12.2016	30.06.2016	31.12.2016	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Credit risk	647,097	520,793	646,755	520,091
Market risk	532,951	416,042	532,951	416,042
Operational risk	296,433	304,312	296,134	304,287
	1,476,481	1,241,147	1,475,840	1,240,420

EXPLANATORY NOTES

28. Significant events during the financial quarter ended 31 December 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:

- (a) HLG Nominee (Asing) Sdn Bhd, a wholly-owned subsidiary of HLIB, was dissolved on 15 October 2016.
- (b) HLG Nominee (Tempatan) Sdn Bhd, a wholly-owned subsidiary of HLIB, was dissolved on 7 December 2016.

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 December 2016 against the corresponding financial quarter

For the current financial quarter ended 31 December 2016, the Group recorded a profit before tax of RM17.0 million, as compared to a RM20.3 million recorded in the corresponding financial quarter. The decrease in profit of RM3.3 million was primarily attributable to the lower income earned from its Investment Banking Division.

32. Prospects for 2017

FY2017 is expected to be a challenging year ahead due to weak investors sentiment caused by economic uncertainties both domestically and internationally.

On the investment banking front, despite the challenging market conditions and operating environment, emphasis will continue to be placed on the offering of innovative financing solutions which has been the foundation of growth for the division since its inception back in 2009. Moving forward, resources will be channeled towards further widening the deals origination universe and to strengthen the distribution and placement capability for the Group to compete vigorously in the market.

For Stockbroking business, the Bank envisages the retail segment to grow in the next 10 years when the millennials with higher disposal income and savings start to invest and trade more in the market. Anticipating the shift in the market landscape with higher retail participation going forward, new initiatives is being carried out accordingly to focus on the online broking business. New applications will be developed to ensure effective client engagement with value add trading ideas and market news.