

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.12.2017	30.06.2017	31.12.2017	30.06.2017
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		278,924	206,739	278,838	206,669
Securities purchased under resale agreements		136,684	35,123	136,684	35,123
Financial assets at fair value through profit or loss	8	896,297	1,080,680	896,297	1,080,680
Financial investments available-for-sale	9	914,699	973,149	914,462	972,915
Financial investments held-to-maturity	10	893,647	909,215	893,647	909,215
Derivative financial assets	17	33,011	19,916	33,011	19,916
Loans and advances	11	259,925	236,592	259,925	236,592
Clients' and brokers' balances	12	330,003	267,774	330,003	267,774
Other assets	13	35,362	48,021	35,361	48,020
Statutory deposits with Bank					
Negara Malaysia		44,480	58,100	44,480	58,100
Investment in subsidiaries		-	-	200	200
Deferred tax assets		95,143	90,153	95,143	90,153
Property and equipment		4,225	4,755	4,225	4,755
Intangible assets - computer software		3,768	4,810	3,768	4,810
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,955,154	3,964,013	3,955,030	3,963,908
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	736,140	648,867	736,140	648,867
Deposits and placements of banks and other financial institutions	16	2,022,827	2,247,733	2,022,827	2,247,733
Obligations on securities sold under repurchase agreements		250,969	149,111	250,969	149,111
Derivative financial liabilities	17	45,303	47,959	45,303	47,959
Clients' and brokers' balances		289,794	220,494	289,794	220,494
Other liabilities	18	79,053	95,599	79,129	95,678
Subordinated obligations	19	50,287	50,262	50,287	50,262
TOTAL LIABILITIES		3,474,373	3,460,025	3,474,449	3,460,104
EQUITY					
Share capital		252,950	252,950	252,950	252,950
Reserves		227,831	251,038	227,631	250,854
TOTAL EQUITY		480,781	503,988	480,581	503,804
TOTAL EQUITY AND LIABILITIES		3,955,154	3,964,013	3,955,030	3,963,908
COMMITMENTS AND CONTINGENCIES					
	26	8,558,718	7,931,230	8,558,718	7,931,230
Net assets per ordinary share (RM)		2.91	3.05	2.91	3.05

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM'000	RM'000	RM'000	RM'000
Interest income	20	37,964	36,896	75,702	73,526
Interest expense	21	(27,313)	(25,399)	(54,910)	(51,450)
Net interest income		10,651	11,497	20,792	22,076
Non-interest income	22	31,969	31,780	56,666	55,815
Net income		42,620	43,277	77,458	77,891
Overhead expenses	23	(28,442)	(26,091)	(48,607)	(45,578)
Net operating profit		14,178	17,186	28,851	32,313
Write-back of/(allowance for) impairment losses on loans and advances and other losses	24	53	(163)	(216)	(151)
Profit before taxation		14,231	17,023	28,635	32,162
Taxation		2,302	1,969	4,551	4,249
Net profit for the financial period		16,533	18,992	33,186	36,411
Earnings per share (sen)					
- Basic		10.0	11.5	20.1	22.1
- Diluted		10.0	11.5	20.1	22.1

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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 2017**

	Individual Quarter		The Group Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	16,533	18,992	33,186	36,411
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net loss on revaluation of financial investments available-for-sale	(2,035)	(7,004)	(743)	(4,631)
- Net transfer to income statements on disposal of financial investments available-for-sale	(430)	(197)	(1,089)	(2,205)
Income tax relating to net fair value changes on financial investments available-for-sale	592	1,728	439	1,640
Other comprehensive expense for the financial period, net of tax	(1,873)	(5,473)	(1,393)	(5,196)
Total comprehensive income for the financial period, net of tax	14,660	13,519	31,793	31,215

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

		The Bank				
		Individual Quarter		Cumulative Months Ended		
		Current	Last year's	Current	Last	
		quarter ended	quarter ended	year ended	year's ended	
Note		31.12.2017	31.12.2016	31.12.2017	31.12.2016	
		RM'000	RM'000	RM'000	RM'000	
	Interest income	20	37,950	36,870	75,677	73,474
	Interest expense	21	(27,313)	(25,399)	(54,910)	(51,450)
	Net interest income		10,637	11,471	20,767	22,024
	Non-interest income	22	31,892	31,776	56,570	55,802
	Net income		42,529	43,247	77,337	77,826
	Overhead expenses	23	(28,389)	(26,040)	(48,502)	(45,477)
	Net operating profit		14,140	17,207	28,835	32,349
	Write-back of/(allowance for) impairment losses on loans and advances and other losses	24	53	(163)	(216)	(151)
	Profit before taxation		14,193	17,044	28,619	32,198
	Taxation		2,302	1,968	4,551	4,249
	Net profit for the financial period		16,495	19,012	33,170	36,447
	Earnings per share (sen)					
	- Basic		10.0	11.5	20.1	22.1
	- Diluted		10.0	11.5	20.1	22.1

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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 2017

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	16,495	19,012	33,170	36,447
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net loss on revaluation of financial investments available-for-sale	(2,035)	(7,004)	(743)	(4,631)
- Net transfer to income statements on disposal of financial investments available-for-sale	(430)	(197)	(1,089)	(2,205)
Income tax relating to net fair value changes on financial investments available-for-sale	592	1,728	439	1,640
Other comprehensive expense for the financial period, net of tax	(1,873)	(5,473)	(1,393)	(5,196)
Total comprehensive income for the financial period, net of tax	14,622	13,539	31,777	31,251

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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 2017

	Attributable to owner of the parent						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 Group</u>							
At 1 July 2017	252,950	-	-	2,504	1,440	247,094	503,988
Net profit for the financial period	-	-	-	-	-	33,186	33,186
Other comprehensive expense, net of tax	-	-	-	-	(1,393)	-	(1,393)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(1,393)	33,186	31,793
Transfer from regulatory reserve	-	-	-	(60)	-	60	-
Dividend paid	-	-	-	-	-	(55,000)	(55,000)
At 31 December 2017	252,950	-	-	2,444	47	225,340	480,781
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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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 2017

	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 2017	252,950	-	-	2,504	1,440	246,910	503,804
Net profit for the financial period	-	-	-	-	-	33,170	33,170
Other comprehensive expense, net of tax	-	-	-	-	(1,393)	-	(1,393)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(1,393)	33,170	31,777
Transfer from regulatory reserve	-	-	-	(60)	-	60	-
Dividend paid	-	-	-	-	-	(55,000)	(55,000)
At 31 December 2017	252,950	-	-	2,444	47	225,140	480,581
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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	The Group		The Bank	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	28,635	32,162	28,619	32,198
Adjustments for non-cash items	(55,552)	(52,816)	(55,549)	(52,816)
Operating loss before changes in working capital	(26,917)	(20,654)	(26,930)	(20,618)
Changes in working capital:				
Net changes in operating assets	13,149	152,590	13,149	152,755
Net changes in operating liabilities	16,979	170,854	16,976	172,398
Net income tax refund	-	5	-	-
Net cash generated from operating activities	3,211	302,795	3,195	304,535
Net cash generated from/(used in) investing activities	125,295	(408,065)	125,295	(408,082)
Net cash used in financing activities	(56,321)	(53,643)	(56,321)	(53,643)
Net changes in cash and cash equivalents	72,185	(158,913)	72,169	(157,190)
Cash and cash equivalents at beginning of financial period	206,739	270,795	206,669	269,053
Cash and cash equivalents at end of financial period	278,924	111,882	278,838	111,863
Cash and cash equivalents comprise:				
Cash and short term funds	278,924	111,882	278,838	111,863
Deposit and placements with other financial institutions	-	-	-	-
	278,924	111,882	278,838	111,863

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2017.

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 2017 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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 2017. 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 2017.

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 2017 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2017:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses"

The adoption of these amendments did not have any material financial impact on the current period or any prior period and is not likely to affect future periods.

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

2. Audit report

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

3. Seasonality or cyclicity of operations

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

4. Items affecting net income and cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 31 December 2017.

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

5. Changes in estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 31 December 2017.

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 2017.

7. Dividends

During the financial quarter, a final single-tier dividend of 33.3333 sen per share on the Bank's adjusted issued and paid-up share capital, amounting to RM54,999,945 in respect of the financial year ended 30 June 2017 was paid on 9 November 2017.

8. Financial assets at fair value through profit or loss

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Investment Issues	-	30,561
Negotiable instruments of deposits	705,843	831,596
	705,843	862,157
Quoted securities		
In Malaysia:		
Shares	25,856	19,501
Unquoted securities		
Corporate bond and/or sukuk	164,519	198,943
	896,218	1,080,601
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	79	79
	896,297	1,080,680

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

EXPLANATORY NOTES

9. Financial investments available-for-sale

	The Group		The Bank	
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	30,544	30,378	30,544	30,378
Malaysian Government Investment Issues	71,213	60,896	71,213	60,896
Cagamas bonds	50,340	65,442	50,340	65,442
	152,097	156,716	152,097	156,716
Quoted securities				
Unit trust investment	237	234	-	-
Unquoted securities				
Shares	245	245	245	245
Foreign currency bonds	49,200	74,832	49,200	74,832
Corporate bond and/or sukuk	712,920	741,122	712,920	741,122
	762,365	816,199	762,365	816,199
	914,699	973,149	914,462	972,915

10. Financial investments held-to-maturity

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	201,355	211,031
Malaysian Government Investment Issues	518,520	518,643
	719,875	729,674
Unquoted securities		
Foreign currency bonds	88,021	93,757
Corporate bond and/or sukuk	85,751	85,784
	173,772	179,541
	893,647	909,215

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

EXPLANATORY NOTES

11. Loans and advances

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
Term loan financing	36,356	25,685
Share margin financing	223,835	210,707
Staff loans	61	64
Other loans	468	586
Gross loans and advances	<u>260,720</u>	<u>237,042</u>
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(112)	(110)
- collective assessment allowance	(683)	(340)
Total net loans and advances	<u>259,925</u>	<u>236,592</u>
 (i) Gross loans and advances disbursed by type of customers are as follows:		
Domestic business enterprises		
- Small and medium enterprises	9,626	110
- Others	129,860	120,574
Individuals	113,332	108,535
Foreign entities	7,902	7,823
	<u>260,720</u>	<u>237,042</u>
 (ii) Gross loans and advances analysed by interest rate sensitivity are as follows:		
Variable rate	260,191	236,392
Fixed rate		
- Staff housing loans	61	64
- Other fixed rate loans	468	586
	<u>260,720</u>	<u>237,042</u>
 (iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	238,738	225,988
One year to three years	21,921	10,990
Over five years	61	64
	<u>260,720</u>	<u>237,042</u>

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
(iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	22,877	25,685
Purchase of securities	237,314	210,707
Purchase of transport vehicles	112	110
Purchase of landed properties	417	540
	260,720	237,042
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	260,720	237,042
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	11,576	574
Impaired during the financial period/year	6	11,002
Amount written-back during the financial period/year	(2,672)	-
At 31 December/30 June	8,910	11,576
(vii) Movements in allowance for loans and advances are as follows:		
Individual assessment allowance		
At 1 July	110	100
Allowance made during the financial period/year	2	10
At 31 December/30 June	112	110
Collective assessment allowance		
At 1 July	340	914
Allowance made/(written-back) during the financial period/year	343	(574)
At 31 December/30 June	683	340
(viii) Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	112	110
Purchase of landed properties	355	476
Working capital	8,443	10,990
	8,910	11,576

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EXPLANATORY NOTES

12. Clients' and brokers' balances

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
Performing accounts	328,344	266,955
Impaired accounts	2,023	1,264
	330,367	268,219
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(312)	(417)
- collective assessment allowance	(52)	(28)
	330,003	267,774

13. Other assets

	The Group		The Bank	
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	1	1	-	-
Amount due from holding company	51	-	51	-
Amount due from related companies	182	20	182	20
Deposits and prepayments	5,924	5,004	5,924	5,004
Fee income receivables	3,650	16,076	3,650	16,076
Collaterals pledged for derivative transactions	2,516	22,531	2,516	22,531
Other receivables	23,038	4,389	23,038	4,389
	35,362	48,021	35,361	48,020

14. Valuation of property and equipment

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

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EXPLANATORY NOTES

15. Deposits from customers

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
Fixed Deposit	736,140	648,867
 (i) The deposits are sourced from the following customers:		
Government & statutory bodies	545,470	456,337
Business enterprises	166,549	171,984
Individuals	24,121	20,546
	736,140	648,867
 (ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	735,041	642,665
- six months to one year	-	6,202
- one year to five year	1,099	-
	736,140	648,867

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
Licensed banks	589,187	778,053
Licensed investment banks	-	50,004
Other financial institutions	1,433,640	1,419,676
	2,022,827	2,247,733

HONG LEONG INVESTMENT BANK BERHAD
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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
31.12.2017			
Interest rate related contracts:			
- Interest rate swaps	5,205,000	9,831	(17,589)
- Futures	103,186	92	-
- Cross currency swaps	80,930	3,799	-
Foreign exchange related contracts:			
- Foreign currency swaps	2,338,015	19,026	(26,614)
- Foreign currency forwards	118,216	7	(1,058)
- Foreign currency spots	20	-	-
Equity related contracts:			
- Futures	18,076	-	(42)
- Call options	7,000	256	-
	7,870,443	33,011	(45,303)
30.06.2017			
Interest rate related contracts:			
- Interest rate swaps	5,015,000	12,806	(23,881)
- Futures	322,498	337	-
- Cross currency swaps	171,770	83	(16,724)
Foreign exchange related contracts:			
- Foreign currency swaps	1,520,828	5,883	(7,345)
- Foreign currency forwards	73,399	171	(6)
- Foreign currency spots	17,735	1	(3)
Equity related contracts:			
- Call options	7,000	635	-
	7,128,230	19,916	(47,959)

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18. Other liabilities

	The Group		The Bank	
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Amount due to holding company	-	265	-	265
Remisiers' trust deposits	13,674	13,786	13,674	13,786
Other payables and accrued liabilities	65,174	81,346	65,250	81,425
Provision for post employment benefits	205	202	205	202
	79,053	95,599	79,129	95,678

19. Subordinated obligations

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	406	392
	50,406	50,392
Less: Unamortised discounts	(119)	(130)
	50,287	50,262

On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB") had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

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20. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances	3,741	4,987	7,318	10,766
Money at call and deposit placements with financial institutions	1,048	405	1,822	864
Financial assets at fair value through profit or loss	9,054	11,929	18,921	24,689
Financial investments available-for-sale	9,618	9,113	18,471	17,617
Financial investments held-to-maturity	8,328	6,550	16,655	11,731
Derivative financial instruments	2,227	2,090	4,507	3,966
Others	3,948	1,822	8,008	3,893
Total interest income	37,964	36,896	75,702	73,526

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances	3,741	4,987	7,318	10,766
Money at call and deposit placements with financial institutions	1,034	379	1,797	812
Financial assets at fair value through profit or loss	9,054	11,929	18,921	24,689
Financial investments available-for-sale	9,618	9,113	18,471	17,617
Financial investments held-to-maturity	8,328	6,550	16,655	11,731
Derivative financial instruments	2,227	2,090	4,507	3,966
Others	3,948	1,822	8,008	3,893
Total interest income	37,950	36,870	75,677	73,474

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
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	8,026	6,682	16,488	13,034
Deposits from customers	13,734	13,854	27,472	29,287
Derivative financial instruments	3,459	4,144	6,783	7,636
Subordinated notes	673	673	1,346	1,354
Others	1,421	46	2,821	139
	27,313	25,399	54,910	51,450

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22. Non-interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,441	2,828	2,346	3,813
Arranger fees	2,532	4,296	4,615	4,896
Placement fees	143	3,301	193	3,541
Brokerage income	16,047	11,618	30,397	24,226
Fees on loans and advances	418	1,117	418	1,169
Commission from future contracts	189	209	390	286
Other fee income	7,631	1,217	13,549	2,252
	28,401	24,586	51,908	40,183
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	8,327	79	11,600	7,836
- financial investments available-for-sale	513	66	1,261	2,687
- derivative financial instruments	(27,162)	22,871	(34,643)	19,672
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(6,823)	(9,140)	(9,698)	(9,503)
- derivative financial instruments	17,276	21,984	15,535	15,056
Dividend income from:				
- financial assets at fair value through profit or loss	74	20	1,469	410
- financial investments available-for-sale	2	3	65	6
	(7,793)	35,883	(14,411)	36,164
<u>Other income:</u>				
Gain on disposal of property and equipment	-	20	-	102
Loss on liquidation of subsidiaries	-	-	-	(7)
Foreign exchange gain/(loss)	11,347	(28,720)	19,146	(20,643)
Other non-operating income	14	11	23	16
	11,361	(28,689)	19,169	(20,532)
Total non-interest income	31,969	31,780	56,666	55,815

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EXPLANATORY NOTES

22. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,441	2,828	2,346	3,813
Arranger fees	2,532	4,296	4,615	4,896
Placement fees	143	3,301	193	3,541
Brokerage income	16,047	11,618	30,397	24,226
Fees on loans and advances	418	1,117	418	1,169
Commission from future contracts	189	209	390	286
Other fee income	7,556	1,216	13,457	2,243
	28,326	24,585	51,816	40,174
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	8,327	79	11,600	7,836
- financial investments available-for-sale	513	66	1,261	2,687
- derivative financial instruments	(27,162)	22,871	(34,643)	19,672
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(6,823)	(9,140)	(9,698)	(9,503)
- derivative financial instruments	17,276	21,984	15,535	15,056
Dividend income from:				
- financial assets at fair value through profit or loss	74	20	1,469	410
- financial investments available-for-sale	-	-	61	-
	(7,795)	35,880	(14,415)	36,158
<u>Other income:</u>				
Gain on disposal of property and equipment	-	20	-	102
Loss on liquidation of subsidiaries	-	-	-	(4)
Foreign exchange gain/(loss)	11,347	(28,720)	19,146	(20,643)
Other non-operating income	14	11	23	15
	11,361	(28,689)	19,169	(20,530)
Total non-interest income	31,892	31,776	56,570	55,802

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EXPLANATORY NOTES

23. Overhead expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	20,226	17,742	32,009	28,984
Promotion and marketing related expenses	505	584	956	1,074
Establishment related expenses	3,821	3,772	7,546	7,670
General administrative expenses	3,890	3,993	8,096	7,850
	28,442	26,091	48,607	45,578
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	17,912	15,624	27,686	24,762
Defined contribution plan	1,511	1,455	3,028	2,911
Other employee benefits	803	663	1,295	1,311
	20,226	17,742	32,009	28,984
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	37	31	37	32
Entertainment and business improvement	413	523	821	954
Others	55	30	98	88
	505	584	956	1,074
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	292	383	684	715
Amortisation of intangible assets	676	675	1,343	1,392
Rental expenses	1,411	963	2,379	2,085
Others	1,442	1,751	3,140	3,478
	3,821	3,772	7,546	7,670
(iv) General administrative expenses comprise the following:				
Management fee	605	687	1,285	1,322
Teletransmission expenses	1,363	1,187	2,743	2,304
Auditors' remuneration				
- Statutory audit fees	67	68	135	133
Legal and professional fees	757	826	1,629	1,686
Others	1,098	1,225	2,304	2,405
	3,890	3,993	8,096	7,850

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EXPLANATORY NOTES

23. Overhead expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	20,186	17,705	31,929	28,910
Promotion and marketing related expenses	505	584	956	1,074
Establishment related expenses	3,812	3,762	7,527	7,650
General administrative expenses	3,886	3,989	8,090	7,843
	28,389	26,040	48,502	45,477
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	17,878	15,592	27,618	24,699
Defined contribution plan	1,505	1,450	3,016	2,900
Other employee benefits	803	663	1,295	1,311
	20,186	17,705	31,929	28,910
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	37	31	37	32
Entertainment and business improvement	413	523	821	954
Others	55	30	98	88
	505	584	956	1,074
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	292	383	684	715
Amortisation of intangible assets	676	675	1,343	1,392
Rental expenses	1,402	954	2,362	2,068
Others	1,442	1,750	3,138	3,475
	3,812	3,762	7,527	7,650
(iv) General administrative expenses comprise the following:				
Management fee	605	687	1,285	1,322
Teletransmission expenses	1,363	1,187	2,743	2,304
Auditors' remuneration				
- Statutory audit fees	66	66	132	129
Legal and professional fees	757	826	1,629	1,686
Others	1,095	1,223	2,301	2,402
	3,886	3,989	8,090	7,843

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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
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
(Allowance for)/write-back of losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial period	(2)	-	(2)	-
(b) Collective assessment (made)/written-back during the financial period	(23)	191	(343)	237
(Allowance for)/write-back of losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	64	(235)	(36)	(294)
- written-back during the financial period	65	60	141	83
(b) Collective assessment made during the financial period	(23)	(5)	(24)	(3)
Allowance for losses on other debtors				
(a) Individual assessment allowance				
- made during the financial year	(212)	(174)	(212)	(174)
- written-back during the financial period	184	-	260	-
	53	(163)	(216)	(151)

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EXPLANATORY NOTES

25. Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

Credit transactions and exposure with connected parties

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

	The Group and the Bank	
	31.12.2017	30.06.2017
	RM'000	RM'000
Outstanding credit exposures with connected parties	7,314	10,525
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	1.95%	0.35%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.00%	<u>0.00%</u>

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26. Commitments and contingencies

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

	The Group and the Bank	
	31.12.2017	30.06.2017
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	-	130,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	6,545	10,352
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	-	326
- maturity over one year	79,693	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	601,037	661,322
	688,275	803,000
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,863,186	1,778,383
- Over one year to five years	3,310,930	3,485,885
- Over five years	215,000	245,000
Foreign exchange related contracts:		
- One year or less	2,456,251	1,611,962
Equity related contracts:		
- One year or less	18,076	-
- Over one year to five years	7,000	7,000
	7,870,443	7,128,230
	8,558,718	7,931,230

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EXPLANATORY NOTES

27. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group and the Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active market where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities, unit trust investments and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

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EXPLANATORY NOTES

27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

The Group	Level 1	Level 2	Level 3	Total
31.12.2017	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	25,856	870,441	-	896,297
- Money market instruments	-	705,843	-	705,843
- Quoted securities	25,856	79	-	25,935
- Unquoted securities	-	164,519	-	164,519
Financial investments available-for-sale	237	914,217	245	914,699
- Money market instruments	-	152,097	-	152,097
- Quoted securities	237	-	-	237
- Unquoted securities	-	762,120	245	762,365
Derivative financial assets	-	33,011	-	33,011
	26,093	1,817,669	245	1,844,007
Financial liability				
Derivative financial liabilities	-	45,303	-	45,303
30.06.2017				
Financial assets				
Financial assets at fair value through profit or loss	19,501	1,061,179	-	1,080,680
- Money market instruments	-	862,157	-	862,157
- Quoted securities	19,501	79	-	19,580
- Unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	234	972,670	245	973,149
- Money market instruments	-	156,716	-	156,716
- Quoted securities	234	-	-	234
- Unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	19,735	2,053,765	245	2,073,745
Financial liability				
Derivative financial liabilities	-	47,959	-	47,959

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EXPLANATORY NOTES

27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Bank	Level 1	Level 2	Level 3	Total
31.12.2017	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	25,856	870,441	-	896,297
- Money market instruments	-	705,843	-	705,843
- Quoted securities	25,856	79	-	25,935
- Unquoted securities	-	164,519	-	164,519
Financial investments available-for-sale	-	914,217	245	914,462
- Money market instruments	-	152,097	-	152,097
- Unquoted securities	-	762,120	245	762,365
Derivative financial assets	-	33,011	-	33,011
	25,856	1,817,669	245	1,843,770
Financial liability				
Derivative financial liabilities	-	45,303	-	45,303
30.06.2017				
Financial assets				
Financial assets at fair value through profit or loss	19,501	1,061,179	-	1,080,680
- Money market instruments	-	862,157	-	862,157
- Quoted securities	19,501	79	-	19,580
- Unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	-	972,670	245	972,915
- Money market instruments	-	156,716	-	156,716
- Unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	19,501	2,053,765	245	2,073,511
Financial liability				
Derivative financial liabilities	-	47,959	-	47,959

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

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EXPLANATORY NOTES

27. Fair value of financial instruments (continued)

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

The Group and the Bank	Financial investments available-for-sale	
	31.12.2017	30.06.2017
	RM'000	RM'000
At beginning/end of financial period/year	<u>245</u>	<u>245</u>

28. Capital adequacy

The risk-weighted assets ("RWA") of the Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

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

	The Group		The Bank	
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	25.080%	29.759%	25.064%	29.744%
Tier 1 capital ratio	25.080%	29.759%	25.064%	29.744%
Total capital ratio	29.178%	33.928%	29.161%	33.912%
After deducting proposed dividends: ⁽¹⁾				
CET1 capital ratio	25.080%	25.414%	25.064%	25.398%
Tier 1 capital ratio	25.080%	25.414%	25.064%	25.398%
Total capital ratio	29.178%	29.583%	29.161%	29.566%

Note:

⁽¹⁾ Proposed dividends of RM Nil (2017: RM55,000,000).

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EXPLANATORY NOTES

28. Capital adequacy (continued)

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

	The Group		The Bank	
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	RM'000	RM'000	RM'000	RM'000
CET1 Capital				
Paid-up ordinary share capital	252,950	252,950	252,950	252,950
Retained profits	192,094	247,094	191,910	246,910
Other reserves	47	1,440	47	1,440
Less: goodwill and intangibles	(32,754)	(33,796)	(32,754)	(33,796)
Less: deferred tax assets	(90,153)	(90,153)	(90,153)	(90,153)
Less: investment in subsidiary companies	-	-	(160)	(160)
Less: 55% of cumulative gains of financial instruments available-for-sale	(26)	(792)	(26)	(792)
Total CET1 Capital	322,158	376,743	321,814	376,399
Tier 1 Capital	322,158	376,743	321,814	376,399
Tier 2 Capital				
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	2,647	2,783	2,647	2,783
Subordinated obligations	50,000	50,000	50,000	50,000
Regulatory adjustments:				
- Investment in subsidiary companies	-	-	(40)	(40)
Total Tier 2 Capital	52,647	52,783	52,607	52,743
Total Capital	374,805	429,526	374,421	429,142

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 RM2,444,000 (2017: RM2,504,000).

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

	The Group		The Bank	
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Credit risk	449,470	462,211	449,215	461,963
Market risk	545,333	517,433	545,333	517,433
Operational risk	289,739	286,353	289,423	286,064
	1,284,542	1,265,997	1,283,971	1,265,460

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

EXPLANATORY NOTES

29. Significant events during the financial quarter ended 31 December 2017

There were no material significant events during the financial quarter.

30. Changes in the composition of the Group

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

31. Significant events subsequent to the financial quarter

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

32. Review of performance for the financial quarter ended 31 December 2017 against the corresponding financial quarter

For the current financial quarter ended 31 December 2017, the Group recorded a profit before tax of RM14.2 million, as compared to a RM17.0 million recorded in the corresponding financial quarter. The decrease in profit of RM2.8 million was primarily attributable to the lower income earned from its Investment Banking Division.

33. Prospects for 2018

Despite a recovery in economic growth throughout FY2017, the outlook for FY2018 remains challenging as investors' sentiment remains susceptible to global economic uncertainties. However, the Bank will continue to focus on driving long-term sustainable growth for our businesses. The Bank's team of dedicated staff will also strengthen our efforts to build resilience towards disruptions in the market in the way we manage our processes, assets and businesses.

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 HLIB since its inception in Year 2009. Moving forward, resources will be channeled towards further widening the deals origination universe and to strengthen the distribution and placement capability for the Bank to compete vigorously in the market.

For Stockbroking business, the Bank will continue with its efforts to drive and scale up our ranking with our Institutional clients. In addition, there are also initiatives to complement our client base, leveraging on our newly set up Islamic Trading platform. As for the Retail Business, the Bank aspires to retain our leadership position in Malaysia with eBroking being our main focus. The Bank will continue with our efforts to strengthen our brand image as a valued broker via tailored product offerings and build value research. Digital initiatives will be continuously refreshed to sustain customer experience for our online business. Overall, the Stockbroking business will remain challenging due to the volatile and cautious market sentiment and uncertain commodity price trend. The stiff competition in the retail broking segment with the introduction of new online foreign trading platform will put further pressure on brokerage rates.