

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30.09.2018	30.06.2018	30.09.2018	30.06.2018
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		161,675	55,967	161,591	55,857
Securities purchased under resale agreements		35,628	35,126	35,628	35,126
Deposits and placements with banks and other financial institutions		-	40,645	-	40,645
Financial assets at fair value through profit or loss ("FVTPL")	8	953,445	1,223,984	953,149	1,223,984
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,972,315	-	1,972,315	-
Financial investments at amortised cost	10	696,864	-	696,864	-
Financial investments available-for-sale	11	-	1,216,214	-	1,215,921
Financial investments held-to-maturity	12	-	847,659	-	847,659
Derivative financial assets	19	38,488	29,351	38,488	29,351
Loans and advances	13	205,576	227,757	205,576	227,757
Clients' and brokers' balances	14	313,727	312,429	313,727	312,429
Other assets	15	41,671	29,088	41,670	29,088
Statutory deposits with Bank Negara Malaysia		49,268	52,500	49,268	52,500
Investment in subsidiaries		-	-	200	200
Deferred tax assets		89,181	87,582	89,181	87,582
Property and equipment		13,979	12,785	13,979	12,785
Intangible assets - computer software		2,625	2,686	2,625	2,686
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		4,603,428	4,202,759	4,603,247	4,202,556
LIABILITIES AND					
SHAREHOLDER'S FUNDS					
Deposits from customers	17	1,006,747	1,082,656	1,006,747	1,082,656
Deposits and placements of banks and other financial institutions	18	2,618,005	2,058,960	2,618,005	2,058,960
Obligations on securities sold under repurchase agreements		-	99,654	-	99,654
Derivative financial liabilities	19	36,211	44,428	36,211	44,428
Clients' and brokers' balances		270,136	289,511	270,136	289,511
Provision for tax		-	3	-	-
Other liabilities	20	98,610	75,277	98,687	75,306
Subordinated obligations	21	50,963	50,290	50,963	50,290
TOTAL LIABILITIES		4,080,672	3,700,779	4,080,749	3,700,805
EQUITY					
Share capital		252,950	252,950	252,950	252,950
Reserves		269,806	249,030	269,548	248,801
TOTAL EQUITY		522,756	501,980	522,498	501,751
TOTAL EQUITY AND LIABILITIES		4,603,428	4,202,759	4,603,247	4,202,556
COMMITMENTS AND					
CONTINGENCIES					
	28	11,386,239	8,853,330	11,386,239	8,853,330
Net assets per ordinary share (RM)		3.17	3.04	3.17	3.04

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 2018.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

		The Group				
		Individual Quarter		Cumulative Months Ended		
		Current	Last year's	Current	Last	
		quarter ended	quarter ended	year ended	year's ended	
Note		30.09.2018	30.09.2017	30.09.2018	30.09.2017	
		RM'000	RM'000	RM'000	RM'000	
	Interest income	22	42,490	37,738	42,490	37,738
	Interest expense	23	(31,808)	(27,597)	(31,808)	(27,597)
	Net interest income		10,682	10,141	10,682	10,141
	Non-interest income	24	25,567	24,697	25,567	24,697
	Net income		36,249	34,838	36,249	34,838
	Overhead expenses	25	(20,593)	(20,165)	(20,593)	(20,165)
	Net operating profit		15,656	14,673	15,656	14,673
	Allowance made for impairment losses	26	(321)	(269)	(321)	(269)
	Profit before taxation		15,335	14,404	15,335	14,404
	Taxation		2,521	2,249	2,521	2,249
	Net profit for the financial period		17,856	16,653	17,856	16,653
	Earnings per share (sen)					
	- Basic		10.8	10.1	10.8	10.1
	- Diluted		10.8	10.1	10.8	10.1

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 2018.

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
30.09.2018	30.09.2017	30.09.2018	30.09.2017	
RM'000	RM'000	RM'000	RM'000	
Net profit for the financial period	17,856	16,653	17,856	16,653
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Net fair value changes on financial investments at FVOCI				
- Unrealised net gain on revaluation of financial investments at FVOCI	3,912	-	3,912	-
- Net transfer to income statements on disposal of financial investments at FVOCI	(453)	-	(453)	-
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain on revaluation of financial investments available-for-sale	-	1,292	-	1,292
- Net transfer to income statements on disposal of financial investments available-for-sale	-	(659)	-	(659)
Income tax relating to components of other comprehensive income	(830)	(153)	(830)	(153)
Other comprehensive income for the financial period, net of tax	2,629	480	2,629	480
Total comprehensive income for the financial period, net of tax	20,485	17,133	20,485	17,133

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 2018.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

		The Bank				
		Individual Quarter		Cumulative Months Ended		
		Current	Last year's	Current	Last	
Note		quarter ended	quarter ended	year ended	year's ended	
		30.09.2018	30.09.2017	30.09.2018	30.09.2017	
		RM'000	RM'000	RM'000	RM'000	
	Interest income	22	42,471	37,727	42,471	37,727
	Interest expense	23	(31,808)	(27,597)	(31,808)	(27,597)
	Net interest income		10,663	10,130	10,663	10,130
	Non-interest income	24	25,512	24,678	25,512	24,678
	Net income		36,175	34,808	36,175	34,808
	Overhead expenses	25	(20,548)	(20,113)	(20,548)	(20,113)
	Net operating profit		15,627	14,695	15,627	14,695
	Allowance made for impairment losses	26	(321)	(269)	(321)	(269)
	Profit before taxation		15,306	14,426	15,306	14,426
	Taxation		2,521	2,249	2,521	2,249
	Net profit for the financial period		17,827	16,675	17,827	16,675
	Earnings per share (sen)					
	- Basic		10.8	10.1	10.8	10.1
	- Diluted		10.8	10.1	10.8	10.1

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 2018.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	17,827	16,675	17,827	16,675
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Net fair value changes on financial investments at FVOCI				
- Unrealised net gain on revaluation of financial investments at FVOCI	3,912	-	3,912	-
- Net transfer to income statements on disposal of financial investments at FVOCI	(453)	-	(453)	-
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain on revaluation of financial investments available-for-sale	-	1,292	-	1,292
- Net transfer to income statements on disposal of financial investments available-for-sale	-	(659)	-	(659)
Income tax relating to components of other comprehensive income	(830)	(153)	(830)	(153)
Other comprehensive income for the financial period, net of tax	2,629	480	2,629	480
Total comprehensive income for the financial period, net of tax	20,456	17,155	20,456	17,155

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 2018.

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Attributable to owner of the parent				Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
<u>The Group</u>					
At 1 July 2018					
- as previously reported	252,950	2,071	(3,355)	250,314	501,980
- effect of adopting MFRS 9	-	10,672	1,759	(12,140)	291
At 1 July 2018, restated	252,950	12,743	(1,596)	238,174	502,271
Net profit for the financial period	-	-	-	17,856	17,856
Other comprehensive income, net of tax	-	-	2,629	-	2,629
Total comprehensive income for the financial period	-	-	2,629	17,856	20,485
Transfer to regulatory reserve	-	638	-	(638)	-
At 30 September 2018	252,950	13,381	1,033	255,392	522,756
At 1 July 2017	252,950	2,504	1,440	247,094	503,988
Net profit for the financial period	-	-	-	16,653	16,653
Other comprehensive income, net of tax	-	-	480	-	480
Total comprehensive income for the financial period	-	-	480	16,653	17,133
Transfer from regulatory reserve	-	(235)	-	235	-
At 30 September 2017	252,950	2,269	1,920	263,982	521,121

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 2018.

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Non-distributable			Distributable	Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
<u>The Bank</u>					
At 1 July 2018					
- as previously reported	252,950	2,071	(3,355)	250,085	501,751
- effect of adopting MFRS 9	-	10,672	1,759	(12,140)	291
At 1 July 2018, restated	252,950	12,743	(1,596)	237,945	502,042
Net profit for the financial period	-	-	-	17,827	17,827
Other comprehensive income, net of tax	-	-	2,629	-	2,629
Total comprehensive income for the financial period	-	-	2,629	17,827	20,456
Transfer to regulatory reserve	-	638	-	(638)	-
At 30 September 2018	252,950	13,381	1,033	255,134	522,498
At 1 July 2017	252,950	2,504	1,440	246,910	503,804
Net profit for the financial period	-	-	-	16,675	16,675
Other comprehensive income, net of tax	-	-	480	-	480
Total comprehensive income for the financial period	-	-	480	16,675	17,155
Transfer from regulatory reserve	-	(235)	-	235	-
At 30 September 2017	252,950	2,269	1,920	263,820	520,959

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 2018.

HONG LEONG INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	The Group		The Bank	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	15,335	14,404	15,306	14,426
Adjustments for non-cash items	(53,331)	(20,844)	(53,328)	(20,844)
Operating loss before changes in working capital	(37,996)	(6,440)	(38,022)	(6,418)
Changes in working capital:				
Net changes in operating assets	339,424	(269,427)	339,427	(269,427)
Net changes in operating liabilities	387,440	378,489	387,488	378,479
Net income tax paid	(4)	-	-	-
Net cash generated from operating activities	688,864	102,622	688,893	102,634
Net cash (used in)/generated from investing activities	(625,104)	56,548	(625,107)	56,550
Net changes in cash and cash equivalents	63,760	159,170	63,786	159,184
Cash and cash equivalents at beginning of financial period	55,967	206,739	55,857	206,669
Cash and cash equivalents at end of financial period	119,727	365,909	119,643	365,853
Cash and cash equivalents comprise:				
Cash and short term funds	161,675	365,909	161,591	365,853
Less:				
Deposits and placements with banks and other financial institutions with original maturity of more than three months	(41,948)	-	(41,948)	-
	119,727	365,909	119,643	365,853

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 2018.

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

EXPLANATORY NOTES

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 2018 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2018. 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 2018.

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 2018 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of these MFRSs, amendments to MFRSs and IC Interpretations did not have any significant financial impact on the results of the Group and the Bank other than the effects and change in accounting policies arising from the adoption of MFRS 9 as disclosed in Note 36.

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.

Bank Negara Malaysia's ("BNM") revised policy document on Financial Reporting

On 2 February 2018, BNM issued the revised policy document on Financial Reporting which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The financial effects of the adoption of the revised policy are disclosed in Note 36.

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
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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 30 September 2018.

5. Changes in estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 30 September 2018.

6. Issuance and repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 September 2018.

7. Dividends

There were no dividends paid during the financial quarter ended 30 September 2018.

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

	The Group		The Bank	
	30.09.2018	30.06.2018	30.09.2018	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	159,844	10,029	159,844	10,029
Malaysian Government Investment Issues	133,528	81,076	133,528	81,076
Negotiable instruments of deposits	453,770	864,200	453,770	864,200
Bankers' acceptances	-	55,084	-	55,084
	747,142	1,010,389	747,142	1,010,389
Quoted securities				
In Malaysia:				
Shares	19,508	6,152	19,508	6,152
Unit trust investment	296	-	-	-
	19,804	6,152	19,508	6,152
Unquoted securities				
Shares	1,380	-	1,380	-
Foreign currency bonds	40,950	20,095	40,950	20,095
Corporate bond and/or sukuk	144,069	187,248	144,069	187,248
	186,399	207,343	186,399	207,343
	953,345	1,223,884	953,049	1,223,884
Financial assets designated at FVTPL				
Quoted securities				
In Malaysia:				
Shares	100	100	100	100
	953,445	1,223,984	953,149	1,223,984

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(Company No: 10209-W)

EXPLANATORY NOTES

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

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	130,747	-
Malaysian Government Investment Issues	121,883	-
Negotiable instruments of deposits	530,759	-
Cagamas bonds	56,034	-
	839,423	-
Unquoted securities		
Foreign currency bonds	257,554	-
Corporate bond and/or sukuk	875,898	-
	1,133,452	-
Allowance for credit losses	(560)	-
	1,972,315	-

Movements in allowance for impairment losses on financial investments at FVOCI are as follows:-

The Group and the Bank	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL	no credit	credit	
	(Stage 1)	(Stage 2)	(Stage 3)	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 July 2018	-	-	-	-
- effect of adopting MFRS 9	205	-	-	205
At 1 July 2018, restated	205	-	-	205
Allowances made	12	-	-	12
Amount written back	(6)	-	-	(6)
New financial assets originated or purchased	344	-	-	344
Financial assets derecognised	(5)	-	-	(5)
Exchange differences	10	-	-	10
At 30 September 2018	560	-	-	560

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

10. Financial investments at amortised cost

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	116,932	-
Malaysian Government Investment Issues	445,296	-
	562,228	-
Unquoted securities		
Foreign currency bonds	53,812	-
Corporate bond and/or sukuk	80,864	-
	134,676	-
Allowance for credit losses	(40)	-
	696,864	-

Movements in allowance for impairment losses on financial investments at amortised cost are as follows:-

The Group and the Bank	12 Months ECL (Stage 1)	Lifetime ECL no credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total ECL
	RM'000	RM'000	RM'000	RM'000
At 1 July 2018	-	-	-	-
- effect of adopting MFRS 9	24	-	-	24
At 1 July 2018, restated	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	1	-	-	1
At 30 September 2018	40	-	-	40

11. Financial investments available-for-sale

	The Group		The Bank	
	30.09.2018	30.06.2018	30.09.2018	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	-	81,306	-	81,306
Malaysian Government Investment Issues	-	101,874	-	101,874
Cagamas bonds	-	55,233	-	55,233
	-	238,413	-	238,413
Quoted securities				
Unit trust investment	-	293	-	-
Unquoted securities				
Shares	-	245	-	245
Foreign currency bonds	-	93,197	-	93,197
Corporate bond and/or sukuk	-	884,066	-	884,066
	-	977,508	-	977,508
	-	1,216,214	-	1,215,921

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

12. Financial investments held-to-maturity

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	-	216,787
Malaysian Government Investment Issues	-	518,318
	-	735,105
Unquoted securities		
Foreign currency bonds	-	36,861
Corporate bond and/or sukuk	-	75,693
	-	112,554
	-	847,659

13. Loans and advances

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
Term loan financing	19,863	19,874
Share margin financing	188,364	208,125
Staff loans	56	58
Other loans	508	490
Gross loans and advances	208,791	228,547
Allowance for impaired loans and advances		
- allowance for credit losses	(3,215)	-
- individual assessment allowance	-	(119)
- collective assessment allowance	-	(671)
Total net loans and advances	205,576	227,757

(i) Gross loans and advances disbursed by type of customers

Domestic business enterprises		
- Small and medium enterprises	114	112
- Others	110,645	112,062
Individuals	89,767	108,243
Foreign entities	8,265	8,130
	208,791	228,547

(ii) Gross loans and advances analysed by interest rate sensitivity

Variable rate	208,227	227,999
Fixed rate		
- Staff housing loans	56	58
- Other fixed rate loans	508	490
	208,791	228,547

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

13. Loans and advances (continued)

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
(iii) Gross loans and advances analysed by residual contractual maturity		
Maturing within one year	202,351	208,615
One year to three years	6,384	19,874
Over five years	56	58
	208,791	228,547
(iv) Loans and advances analysed by their economic purposes		
Working capital	6,384	6,395
Purchase of securities	201,843	221,604
Purchase of transport vehicles	126	119
Purchase of landed properties	438	429
	208,791	228,547
(v) Gross loans and advances analysed by geographical distribution		
Malaysia	208,791	228,547
(vi) Impaired loans and advances		
(a) Movements in impaired loans and advances		
At 1 July 2018		
- as previously reported	6,884	11,576
- effect of adoption of MFRS 9	(11)	-
At 1 July 2018, as restated	6,873	11,576
Impaired during the financial period/year	17	34
Amount written-back during the financial period/year	-	(4,726)
At 30 September/30 June	6,890	6,884
(b) By economic purposes		
Purchase of transport vehicles	126	119
Purchase of landed properties	380	371
Working capital	6,384	6,394
	6,890	6,884

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

13. Loans and advances (continued)

(vii) Movements in allowance for losses on loans and advances

Allowance for credit losses

The Group and the Bank	12 Months ECL (Stage 1) RM'000	Lifetime ECL no credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2018				
- as previously reported	-	-	-	-
- effect of adoption of MFRS 9	226	3	2,956	3,185
At 1 July 2018, as restated	226	3	2,956	3,185
Transferred to Stage 1	3	(3)	-	-
Transferred to Stage 2	(1)	1	-	-
New financial assets originated	2	-	-	2
Financial assets derecognised	(1)	-	-	(1)
Allowance made	7	-	41	48
Allowance written-back	(19)	-	-	(19)
At 30 September 2018	217	1	2,997	3,215

The Group and the Bank

30.09.2018	30.06.2018
RM'000	RM'000

Individual assessment allowance

At 1 July		
- as previously reported	119	110
- effect of adoption of MFRS 9	(119)	-
At 1 July, as restated	-	110
Allowance made during the financial year	-	9
At 30 September/30 June	-	119

Collective assessment allowance

At 1 July		
- as previously reported	671	340
- effect of adoption of MFRS 9	(671)	-
At 1 July, as restated	-	340
Allowance made during the financial year	-	331
At 30 September/30 June	-	671

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14. Clients' and brokers' balances

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
Performing accounts	310,890	309,980
Impaired accounts	3,222	2,828
	314,112	312,808
Less: Allowance for bad and doubtful debts		
- allowance for credit losses	(385)	-
- individual assessment allowance	-	(351)
- collective assessment allowance	-	(28)
	313,727	312,429

15. Other assets

	The Group		The Bank	
	30.09.2018	30.06.2018	30.09.2018	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	1	-	-	-
Amount due from holding company	16	39	16	39
Amount due from related companies	1	389	1	389
Deposits and prepayments	5,397	8,641	5,397	8,641
Fee income receivables	1,750	2,842	1,750	2,842
Collaterals pledged for derivative transactions	5,557	3,922	5,557	3,922
Treasury related receivables	21,476	4,080	21,476	4,080
Equity related receivables	1,237	4,706	1,237	4,706
Other receivables	6,236	4,469	6,236	4,469
	41,671	29,088	41,670	29,088

16. 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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17. Deposits from customers

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
Fixed Deposit	1,006,747	1,082,656
(i) The deposits are sourced from the following customers:		
Government & statutory bodies	747,006	841,509
Business enterprises	240,258	215,116
Individuals	19,483	26,031
	1,006,747	1,082,656
(ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	1,006,747	1,081,537
- six months to one year	-	1,119
	1,006,747	1,082,656

18. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
Licensed banks	507,615	50,084
Licensed investment banks	82,037	159,570
Other financial institutions	2,028,353	1,849,306
	2,618,005	2,058,960

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19. Derivative financial assets/liabilities

	The Group and the Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
30.09.2018			
Interest rate related contracts:			
- Interest rate swaps	6,055,000	7,813	(13,235)
- Futures	589,594	1,058	-
- Cross currency swaps	82,750	2,712	-
Foreign exchange related contracts:			
- Foreign currency swaps	3,912,970	26,871	(22,963)
- Foreign currency forwards	17,348	-	(13)
- Foreign currency spots	54	-	-
Equity related contracts:			
- Futures	10,035	22	-
- Call options	7,000	12	-
	10,674,751	38,488	(36,211)
30.06.2018			
Interest rate related contracts:			
- Interest rate swaps	4,915,000	7,665	(12,910)
- Futures	272,531	368	(6)
- Cross currency swaps	80,750	5,031	-
Foreign exchange related contracts:			
- Foreign currency swaps	2,848,060	15,958	(31,506)
- Foreign currency forwards	57,563	308	(6)
- Foreign currency spots	4,070	2	-
Equity related contracts:			
- Call options	7,000	19	-
	8,184,974	29,351	(44,428)

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20. Other liabilities

	The Group		The Bank	
	30.09.2018	30.06.2018	30.09.2018	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Amount due to a subsidiary companies	-	-	-	293
Remisiers' trust deposits	13,463	13,799	13,463	13,799
Treasury related payables	10,021	30,449	10,021	30,449
Other payables and accrued liabilities	74,917	30,822	74,994	30,558
Provision for post employment benefits	209	207	209	207
	98,610	75,277	98,687	75,306

21. Subordinated obligations

	The Group and the Bank	
	30.09.2018	30.06.2018
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,067	399
	51,067	50,399
Less: Unamortised discounts	(104)	(109)
	50,963	50,290

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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22. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Loans and advances	3,365	3,577	3,365	3,577
Money at call and deposit placements with financial institutions	700	774	700	774
Financial assets at FVTPL	11,911	9,867	11,911	9,867
Financial investments at FVOCI	14,897	-	14,897	-
Financial investments at amortised cost	6,370	-	6,370	-
Financial investments available-for-sale	-	8,853	-	8,853
Financial investments held-to-maturity	-	8,327	-	8,327
Derivative financial instruments	1,279	2,280	1,279	2,280
Others	3,968	4,060	3,968	4,060
Total interest income	42,490	37,738	42,490	37,738

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Loans and advances	3,365	3,577	3,365	3,577
Money at call and deposit placements with financial institutions	681	763	681	763
Financial assets at FVTPL	11,911	9,867	11,911	9,867
Financial investments at FVOCI	14,897	-	14,897	-
Financial investments at amortised cost	6,370	-	6,370	-
Financial investments available-for-sale	-	8,853	-	8,853
Financial investments held-to-maturity	-	8,327	-	8,327
Derivative financial instruments	1,279	2,280	1,279	2,280
Others	3,968	4,060	3,968	4,060
Total interest income	42,471	37,727	42,471	37,727

23. Interest expense

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Deposits and placements of banks and other financial institutions	10,114	8,462	10,114	8,462
Deposits from customers	18,885	13,738	18,885	13,738
Derivative financial instruments	1,898	3,324	1,898	3,324
Subordinated notes	673	673	673	673
Others	238	1,400	238	1,400
Total interest expense	31,808	27,597	31,808	27,597

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24. Non-interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 30.09.2018 RM'000	Last year's quarter ended 30.09.2017 RM'000	Current year ended 30.09.2018 RM'000	Last year's ended 30.09.2017 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	723	905	723	905
Arranger fees	425	2,083	425	2,083
Placement fees	463	50	463	50
Brokerage income	14,359	14,350	14,359	14,350
Fees on loans and advances	38	-	38	-
Commission from future contracts	136	201	136	201
Other fee income	629	5,918	629	5,918
	16,773	23,507	16,773	23,507
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
- financial assets at FVTPL	(1,743)	3,273	(1,743)	3,273
- financial investments at FVOCI	2,399	-	2,399	-
- financial investments available-for-sale	-	748	-	748
- derivative financial instruments	(16,216)	(7,481)	(16,216)	(7,481)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	4,390	(2,875)	4,390	(2,875)
- derivative financial instruments	17,804	(1,741)	17,804	(1,741)
Dividend income from:				
- financial assets at FVTPL	936	1,395	936	1,395
- financial investments available-for-sale	-	63	-	63
	7,570	(6,618)	7,570	(6,618)
<u>Other income:</u>				
Foreign exchange gain	1,219	7,799	1,219	7,799
Other non-operating income	5	9	5	9
	1,224	7,808	1,224	7,808
Total non-interest income	25,567	24,697	25,567	24,697

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24. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 30.09.2018 RM'000	Last year's quarter ended 30.09.2017 RM'000	Current year ended 30.09.2018 RM'000	Last year's ended 30.09.2017 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	723	905	723	905
Arranger fees	425	2,083	425	2,083
Placement fees	463	50	463	50
Brokerage income	14,359	14,350	14,359	14,350
Fees on loans and advances	38	-	38	-
Commission from future contracts	136	201	136	201
Other fee income	577	5,901	577	5,901
	16,721	23,490	16,721	23,490
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
redemption of:				
- financial assets at FVTPL	(1,743)	3,273	(1,743)	3,273
- financial investments at FVOCI	2,399	-	2,399	-
- financial investments available-for-sale	-	748	-	748
- derivative financial instruments	(16,216)	(7,481)	(16,216)	(7,481)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	4,390	(2,875)	4,390	(2,875)
- derivative financial instruments	17,804	(1,741)	17,804	(1,741)
Dividend income from:				
- financial assets at FVTPL	933	1,395	933	1,395
- financial investments available-for-sale	-	61	-	61
	7,567	(6,620)	7,567	(6,620)
<u>Other income:</u>				
Foreign exchange gain	1,219	7,799	1,219	7,799
Other non-operating income	5	9	5	9
	1,224	7,808	1,224	7,808
Total non-interest income	25,512	24,678	25,512	24,678

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25. Overhead expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 30.09.2018 RM'000	Last year's quarter ended 30.09.2017 RM'000	Current year ended 30.09.2018 RM'000	Last year's ended 30.09.2017 RM'000
Personnel expenses	11,953	11,783	11,953	11,783
Promotion and marketing related expenses	535	451	535	451
Establishment related expenses	4,037	3,725	4,037	3,725
General administrative expenses	4,068	4,206	4,068	4,206
	20,593	20,165	20,593	20,165
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	10,061	9,774	10,061	9,774
Defined contribution plan	1,575	1,517	1,575	1,517
Other employee benefits	317	492	317	492
	11,953	11,783	11,953	11,783
(ii) Promotion and marketing related expenses comprise the following:				
Entertainment and business improvement	500	408	500	408
Others	35	43	35	43
	535	451	535	451
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	744	392	744	392
Amortisation of intangible assets	620	667	620	667
Rental expenses	1,053	968	1,053	968
Others	1,620	1,698	1,620	1,698
	4,037	3,725	4,037	3,725
(iv) General administrative expenses comprise the following:				
Management fee	643	680	643	680
Teletransmission expenses	1,248	1,380	1,248	1,380
Auditors' remuneration				
- Statutory audit fees	74	68	74	68
Legal and professional fees	927	872	927	872
Others	1,176	1,206	1,176	1,206
	4,068	4,206	4,068	4,206

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EXPLANATORY NOTES

25. 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
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	11,921	11,743	11,921	11,743
Promotion and marketing related expenses	535	451	535	451
Establishment related expenses	4,028	3,715	4,028	3,715
General administrative expenses	4,064	4,204	4,064	4,204
	20,548	20,113	20,548	20,113
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	10,034	9,740	10,034	9,740
Defined contribution plan	1,575	1,511	1,575	1,511
Other employee benefits	312	492	312	492
	11,921	11,743	11,921	11,743
(ii) Promotion and marketing related expenses comprise the following:				
Entertainment and business improvement	500	408	500	408
Others	35	43	35	43
	535	451	535	451
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	744	392	744	392
Amortisation of intangible assets	620	667	620	667
Rental expenses	1,052	960	1,052	960
Others	1,612	1,696	1,612	1,696
	4,028	3,715	4,028	3,715
(iv) General administrative expenses comprise the following:				
Management fee	642	680	642	680
Teletransmission expenses	1,248	1,380	1,248	1,380
Auditors' remuneration				
- Statutory audit fees	72	66	72	66
Legal and professional fees	927	872	927	872
Others	1,175	1,206	1,175	1,206
	4,064	4,204	4,064	4,204

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26. Allowance made for impairment losses

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 30.09.2018 RM'000	Last year's quarter ended 30.09.2017 RM'000	Current year ended 30.09.2018 RM'000	Last year's ended 30.09.2017 RM'000
(a) (Allowance for)/write-back of impairment losses on loans and advances:				
- Stage 1 - 12 months ECL, net	11	-	11	-
- Stage 3 - Life time ECL credit impaired, net	(41)	-	(41)	-
- Collective assessment allowance made	-	(320)	-	(320)
	(30)	(320)	(30)	(320)
(b) (Allowance for)/write-back of impairment losses on clients' and brokers' balances:				
- Stage 1 - 12 months ECL, net	11	-	11	-
- Stage 3 - Life time ECL credit impaired, net	(18)	-	(18)	-
- Individual assessment allowance made	-	(100)	-	(100)
- Individual assessment allowance written back	-	76	-	76
- Collective assessment allowance made	-	(1)	-	(1)
	(7)	(25)	(7)	(25)
(c) (Allowance for)/write-back of impairment losses on financial investments				
(i) Financial investments at FVOCI				
- Stage 1 - 12 months ECL, net	(355)	-	(355)	-
(ii) Financial investments at amortised cost				
- Stage 1 - 12 months ECL, net	(16)	-	(16)	-
	(371)	-	(371)	-
(d) (Allowance for)/write-back of impairment losses on other financial assets				
- Stage 1 - 12 months ECL, net	23	-	23	-
- Stage 3 - Life time ECL credit impaired, net	64	-	64	-
- Individual assessment allowance written back	-	76	-	76
	87	76	87	76
	(321)	(269)	(321)	(269)

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27. 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.

28. Commitments and contingencies

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

	The Group and the Bank	
	30.09.2018	30.06.2018
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	1,000	1,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	4,914
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	9,000	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	701,488	662,442
	711,488	668,356
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	3,059,594	1,472,531
- Over one year to five years	3,422,750	3,580,750
- Over five years	245,000	215,000
Foreign exchange related contracts:		
- One year or less	3,930,372	2,909,693
Equity related contracts:		
- One year or less	10,035	-
- Over one year to five years	7,000	7,000
	10,674,751	8,184,974
	11,386,239	8,853,330

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

Determination of fair value and fair value hierarchy

The Group	Level 1	Level 2	Level 3	Total
30.09.2018	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	19,804	932,261	1,380	953,445
- Money market instruments	-	747,142	-	747,142
- Quoted securities	19,804	100	-	19,904
- Unquoted securities	-	185,019	1,380	186,399
Financial investments at FVOCI	-	1,972,315	-	1,972,315
- Money market instruments	-	839,162	-	839,162
- Unquoted securities	-	1,133,153	-	1,133,153
Derivative financial assets	-	38,488	-	38,488
	19,804	2,943,064	1,380	2,964,248
Financial liability				
Derivative financial liabilities	-	36,211	-	36,211
30.06.2018				
Financial assets				
Financial assets at FVTPL	6,152	1,217,832	-	1,223,984
- Money market instruments	-	1,010,389	-	1,010,389
- Quoted securities	6,152	100	-	6,252
- Unquoted securities	-	207,343	-	207,343
Financial investments available-for-sale	293	1,215,676	245	1,216,214
- Money market instruments	-	238,413	-	238,413
- Quoted securities	293	-	-	293
- Unquoted securities	-	977,263	245	977,508
Derivative financial assets	-	29,351	-	29,351
	6,445	2,462,859	245	2,469,549
Financial liability				
Derivative financial liabilities	-	44,428	-	44,428

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29. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Bank	Level 1	Level 2	Level 3	Total
30.09.2018	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	19,508	932,261	1,380	953,149
- Money market instruments	-	747,142	-	747,142
- Quoted securities	19,508	100	-	19,608
- Unquoted securities	-	185,019	1,380	186,399
Financial investments at FVOCI	-	1,972,315	-	1,972,315
- Money market instruments	-	839,162	-	839,162
- Unquoted securities	-	1,133,153	-	1,133,153
Derivative financial assets	-	38,488	-	38,488
	19,508	2,943,064	1,380	2,963,952
Financial liability				
Derivative financial liabilities	-	36,211	-	36,211
30.06.2018				
Financial assets				
Financial assets at fair value through profit or loss	6,152	1,217,832	-	1,223,984
- Money market instruments	-	1,010,389	-	1,010,389
- Quoted securities	6,152	100	-	6,252
- Unquoted securities	-	207,343	-	207,343
Financial investments available-for-sale	-	1,215,676	245	1,215,921
- Money market instruments	-	238,413	-	238,413
- Unquoted securities	-	977,263	245	977,508
Derivative financial assets	-	29,351	-	29,351
	6,152	2,462,859	245	2,469,256
Financial liability				
Derivative financial liabilities	-	44,428	-	44,428

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

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29. 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	
	30.09.2018	30.06.2018
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July		
- as previously reported	-	-
- effect of adoption of MFRS 9	1,380	-
At 1 July, as restated	1,380	-
At 30 September/30 June	1,380	-
Financial investments available-for-sale		
At 1 July		
- as previously reported	245	245
- effect of adoption of MFRS 9	(245)	-
At 1 July, as restated	-	245
At 30 September/30 June	-	245

30. Capital adequacy

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

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

	The Group		The Bank	
	30.09.2018	30.06.2018	30.09.2018	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	24.259%	33.091%	24.246%	33.073%
Tier 1 capital ratio	24.259%	33.091%	24.246%	33.073%
Total capital ratio	28.029%	37.634%	28.019%	37.619%
After deducting proposed dividends: ⁽¹⁾				
CET1 capital ratio	21.282%	29.135%	21.268%	29.115%
Tier 1 capital ratio	21.282%	29.135%	21.268%	29.115%
Total capital ratio	25.053%	33.679%	25.040%	33.661%

Note:

⁽¹⁾ Proposed dividends of RM45,500,000 (30.06.2018: RM45,500,000).

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30. Capital adequacy (continued)

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

	The Group		The Bank	
	30.09.2018	30.06.2018	30.09.2018	30.06.2018
	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	238,174	250,314	237,945	250,085
Other reserves	1,033	(3,355)	1,033	(3,355)
Less: goodwill and intangibles	(31,611)	(31,672)	(31,611)	(31,672)
Less: deferred tax assets	(89,181)	(87,582)	(89,181)	(87,582)
Less: investment in subsidiary companies	-	-	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(568)	-	(568)	-
Total CET1 Capital	370,797	380,655	370,368	380,226
Tier 1 Capital	370,797	380,655	370,368	380,226
Tier 2 Capital				
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	-	2,266	-	2,266
General provision ⁽⁴⁾	7,632	-	7,632	-
Subordinated obligations	50,000	50,000	50,000	50,000
Total Tier 2 Capital	57,632	52,266	57,632	52,266
Total Capital	428,429	432,921	428,000	432,492

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 (30.06.2018: RM2,071,000).
- (4) Pursuant to BNM's policy document on Financial Reporting, general provision refers to loss allowance, measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

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

	The Group		The Bank	
	30.09.2018	30.06.2018	30.09.2018	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Credit risk	610,623	407,913	610,606	407,598
Market risk	631,187	457,231	630,597	457,231
Operational risk	286,693	285,193	286,329	284,840
	1,528,503	1,150,337	1,527,532	1,149,669

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31. Significant events during the financial quarter ended 30 September 2018

There were no material significant events during the financial quarter.

32. Changes in the composition of the Group

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

33. 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.

34. Review of performance for the financial quarter ended 30 September 2018 against the corresponding financial quarter

For the current financial quarter ended 30 September 2018, the Group recorded a profit before tax of RM15.3 million, as compared to a RM14.4 million recorded in the corresponding financial quarter. The increase in profit of RM0.9 million was primarily attributable to higher income earned from its Investment Banking Division.

35. Prospects for 2019

The business and market environment will continue to be challenging over the near term with market uncertainties caused by the global trade tension. The rapid development and adoption of digital technologies in the business world and in our society has also driven the Group to be proactive in harnessing digital technology to build an operating environment that our stakeholders have come to expect; we will continue to invest in technology to further enhance our efficiency and productivity. The Group remains committed to deliver long-term sustainable growth and shareholder value by continuing to execute our business strategies, strengthening our digital solutions, managing cost efficiency and driving productivity.

On the investment banking front, notwithstanding the challenges ahead, the team will continue to focus on the offering of innovative structured products and to widen its marketing universe to explore funding opportunities that are value add to its clients from financing cost and capital structure perspective. The team will also endeavor to play an active role in the development of the local capital markets from both the supply and demand side of the space. For Equity Markets, the team will continue with the strategy to focus on advisory and equity raising as we strengthen our banking franchise. HLIB takes cognizance that continued ability to compete in the business is dependent on the talents and efforts of the employees. To that end, HLIB has continued to invest in people's capabilities to support our strategy of delivering a comprehensive suite of Equity Markets services to help our clients succeed.

For Stockbroking business, HLIB will continue with its efforts to drive and improve the market share in the institutional segment by engaging clients with value visits and investment ideas. As for the Retail Business, the Bank aspires to improve the ranking by engaging retail clients with value trading ideas and enhance customer experience with new digital initiatives. Overall, the Stockbroking business will remain challenging due to the global trade tension and interest rate uncertainty coupled with pressure on brokerage rates by demand from institutional and retail clients.

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36. Changes in accounting policies

(a) Adoption of MFRS 9 'Financial Instruments'

The Group and the Bank have adopted MFRS 9 'Financial Instruments' on 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of MFRS 9, the Group and the Bank elected not to restate comparatives figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date the transition were recognised in the opening retained profits and other reserves of the current period.

The adoption of MFRS 9 has resulted in changes in the Group and the Bank's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Classification and measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to income statement.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 30 June 2018. However, the Group and the Bank have identified certain financial investments held at available-for-sale which fail the solely for the payment of principal and interest ("SPPI") test reclassified as FVTPL on 1 July 2018.

Certain debt instruments which pass the SPPI test have been re-designated from held-to-maturity to FVOCI.

The Group and the Bank do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There will be no significant changes to the Group's and the Bank's accounting for financial liabilities as it largely retains the MFRS 139 requirements. All the financial liabilities, except for derivatives financial liabilities and financial liabilities designated at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

EXPLANATORY NOTES

36. Changes in accounting policies (continued)

(a) Adoption of MFRS 9 'Financial Instruments' (continued)

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the financial asset (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in income statement, allowance for credit losses will be more volatile under MFRS 9.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. The Group and the Bank do not expect a significant impact arising from the changes in the hedge accounting requirements.

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EXPLANATORY NOTES

36. Changes in accounting policies (continued)

(b) Bank Negara Malaysia's ("BNM") revised policy documents on Financial Reporting

On 2 February 2018, BNM issued the revised policy document on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(c) Financial effect

(i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank.

The Group	30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1 July 2018 RM'000
Assets				
Cash and short-term funds	55,967	-	-	55,967
Securities purchased under resale agreements	35,126	-	(2)	35,124
Deposits and placements with banks and other financial institutions	40,645	-	(22)	40,623
Financial assets at FVTPL	1,223,984	57,973	-	1,281,957
Financial investments at FVOCI	-	1,341,551	(205)	1,341,346
Financial investments at amortised cost	-	667,393	(24)	667,369
Financial investments available-for-sale	1,216,214	(1,216,214)	-	-
Financial investments held-to-maturity	847,659	(847,659)	-	-
Derivative financial assets	29,351	-	-	29,351
Loans and advances	227,757	(11)	(2,395)	225,351
Clients' and brokers' balances	312,429	-	-	312,429
Other assets	29,088	-	(2)	29,086
Statutory deposits with Bank Negara Malaysia	52,500	-	-	52,500
Deferred tax assets	87,582	(728)	636	87,490
Property and equipment	12,785	-	-	12,785
Intangible assets - computer software	2,686	-	-	2,686
Goodwill	28,986	-	-	28,986
Total assets	4,202,759	2,305	(2,014)	4,203,050
Liabilities				
Deposits from customers	1,082,656	-	-	1,082,656
Deposits and placements of banks and other financial institutions	2,058,960	-	-	2,058,960
Obligations on securities sold under repurchase agreements	99,654	-	-	99,654
Derivative financial liabilities	44,428	-	-	44,428
Clients' and brokers' balances	289,511	-	-	289,511
Provision for tax	3	-	-	3
Other liabilities	75,277	-	-	75,277
Subordinated obligations	50,290	-	-	50,290
	3,700,779	-	-	3,700,779

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EXPLANATORY NOTES

36. Changes in accounting policies (continued)

(c) Financial effect (continued)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank. (continued)

The Group	30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1 July 2018 RM'000
Equity				
Share capital	252,950	-	-	252,950
Reserves	249,030	2,305	(2,014)	249,321
Regulatory reserve	2,071	10,672	-	12,743
Fair value reserve	(3,355)	1,759	-	(1,596)
Retained profits	250,314	(10,126)	(2,014)	238,174
	<u>501,980</u>	<u>2,305</u>	<u>(2,014)</u>	<u>502,271</u>
Total equity and liabilities	<u>4,202,759</u>	<u>2,305</u>	<u>(2,014)</u>	<u>4,203,050</u>
The Bank				
Assets				
Cash and short-term funds	55,857	-	-	55,857
Securities purchased under resale agreements	35,126	-	(2)	35,124
Deposits and placements with banks and other financial institutions	40,645	-	(22)	40,623
Financial assets at FVTPL	1,223,984	57,680	-	1,281,664
Financial investments at FVOCI	-	1,341,551	(205)	1,341,346
Financial investments at amortised cost	-	667,393	(24)	667,369
Financial investments available-for-sale	1,215,921	(1,215,921)	-	-
Financial investments held-to-maturity	847,659	(847,659)	-	-
Derivative financial assets	29,351	-	-	29,351
Loans and advances	227,757	(11)	(2,395)	225,351
Clients' and brokers' balances	312,429	-	-	312,429
Other assets	29,088	-	(2)	29,086
Statutory deposits with Bank Negara Malaysia	52,500	-	-	52,500
Investment in subsidiaries	200	-	-	200
Deferred tax assets	87,582	(728)	636	87,490
Property and equipment	12,785	-	-	12,785
Intangible assets - computer software	2,686	-	-	2,686
Goodwill	28,986	-	-	28,986
Total assets	<u>4,202,556</u>	<u>2,305</u>	<u>(2,014)</u>	<u>4,202,847</u>

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EXPLANATORY NOTES

36. Changes in accounting policies (continued)

(c) Financial effect (continued)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank. (continued)

The Bank	30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1 July 2018 RM'000
Liabilities				
Deposits from customers	1,082,656	-	-	1,082,656
Deposits and placements of banks and other financial institutions	2,058,960	-	-	2,058,960
Obligations on securities sold under repurchase agreements	99,654	-	-	99,654
Derivative financial liabilities	44,428	-	-	44,428
Clients' and brokers' balances	289,511	-	-	289,511
Other liabilities	75,306	-	-	75,306
Subordinated obligations	50,290	-	-	50,290
	<u>3,700,805</u>	<u>-</u>	<u>-</u>	<u>3,700,805</u>
Equity				
Share capital	252,950	-	-	252,950
Reserves	248,801	2,305	(2,014)	249,092
Regulatory reserve	2,071	10,672	-	12,743
Fair value reserve	(3,355)	1,759	-	(1,596)
Retained profits	250,085	(10,126)	(2,014)	237,945
	<u>501,751</u>	<u>2,305</u>	<u>(2,014)</u>	<u>502,042</u>
Total equity and liabilities	<u>4,202,556</u>	<u>2,305</u>	<u>(2,014)</u>	<u>4,202,847</u>

- (ii) The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 and adoption of Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Bank.

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	The Group RM'000	The Bank RM'000
Securities purchased under resale agreements		
Closing balance under MFRS 139 as at 30 June 2018	35,126	35,126
- recognition of expected credit losses under MFRS 9	(2)	(2)
Opening balance under MFRS 9 as at 1 July 2018	<u>35,124</u>	<u>35,124</u>
Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 30 June 2018	40,645	40,645
- recognition of expected credit losses under MFRS 9	(22)	(22)
Opening balance under MFRS 9 as at 1 July 2018	<u>40,623</u>	<u>40,623</u>

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36. Changes in accounting policies (continued)

(c) Financial effect (continued)

(ii) The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 and adoption of Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Bank. (continued)

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	The Group RM'000	The Bank RM'000
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 30 June 2018	1,223,984	1,223,984
- redesignation from financial investments available-for-sale	56,838	56,545
- unrealised gain on financial investments available-for-sale redesignated	1,135	1,135
Opening balance under MFRS 9 as at 1 July 2018	<u>1,281,957</u>	<u>1,281,664</u>
Financial investments at FVOCI		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments available-for-sale	1,159,376	1,159,376
- redesignation from financial investments held-to-maturity	180,266	180,266
- unrealised gain on financial investments held-to-maturity redesignated	1,909	1,909
- recognition of expected credit losses under MFRS 9	(205)	(205)
Opening balance under MFRS 9 as at 1 July 2018	<u>1,341,346</u>	<u>1,341,346</u>
Financial investments at amortised cost		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments held-to-maturity	667,393	667,393
- recognition of expected credit losses under MFRS 9	(24)	(24)
Opening balance under MFRS 9 as at 1 July 2018	<u>667,369</u>	<u>667,369</u>
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 30 June 2018	1,216,214	1,215,921
- redesignation to financial investments at FVOCI	(1,159,376)	(1,159,376)
- redesignation to financial assets at FVTPL	(56,838)	(56,545)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 30 June 2018	847,659	847,659
- redesignation to financial investments at FVOCI	(180,266)	(180,266)
- redesignation to financial investments at amortised cost	(667,393)	(667,393)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
Loans and advances		
Closing balance under MFRS 139 as at 30 June 2018	227,757	227,757
- recognition of expected credit losses under MFRS 9	(2,395)	(2,395)
- Other classification and measurement	(11)	(11)
Opening balance under MFRS 9 as at 1 July 2018	<u>225,351</u>	<u>225,351</u>

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EXPLANATORY NOTES

36. Changes in accounting policies (continued)

(c) Financial effect (continued)

(ii) The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 and adoption of Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Bank. (continued)

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	The Group RM'000	The Bank RM'000
Other assets		
Closing balance under MFRS 139 as at 30 June 2018	29,088	29,088
- recognition of expected credit losses under MFRS 9	(2)	(2)
Opening balance under MFRS 9 as at 1 July 2018	<u>29,086</u>	<u>29,086</u>
Deferred tax assets		
Closing balance under MFRS 139 as at 30 June 2018	87,582	87,582
- in respect of unrealised gain on financial assets at FVTPL	(272)	(272)
- in respect of unrealised gain on financial investments at FVOCI	(458)	(458)
- in respect of recognition of expected credit losses under MFRS 9	636	636
- in respect of other classification and measurement	2	2
Opening balance under MFRS 9 as at 1 July 2018	<u>87,490</u>	<u>87,490</u>
Regulatory reserve		
Closing balance as at 30 June 2018	2,071	2,071
- Transfer from retained profits (Revised Financial Reporting Guidelines)	10,672	10,672
Opening balance as at 1 July 2018	<u>12,743</u>	<u>12,743</u>
Fair value reserve		
Closing balance as at 30 June 2018	(3,355)	(3,355)
- Unrealised gain on financial investments at FVOCI	2,314	2,314
- Deferred tax in respect of unrealised gain on financial investments at FVOCI	(555)	(555)
Opening balance as at 1 July 2018	<u>(1,596)</u>	<u>(1,596)</u>
Retained profits		
Closing balance as at 30 June 2018	250,314	250,085
- Transfer to regulatory reserve (Revised Financial Reporting Guidelines)	(10,672)	(10,672)
- Unrealised gain on financial assets at FVTPL	729	729
- Recognition of expected credit loss	(2,650)	(2,650)
- Deferred tax assets in respect of unrealised gain on financial assets at FVTPL and expected credit loss	464	464
- Other classification and measurement	(11)	(11)
Opening balance as at 1 July 2018	<u>238,174</u>	<u>237,945</u>