

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company No: 10209-W)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2017**

	Note	<b>The Group</b>		<b>The Bank</b>	
		<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
		<b>30.09.2017</b>	<b>30.06.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>					
Cash and short-term funds		<b>365,909</b>	206,739	<b>365,853</b>	206,669
Securities purchased under resale agreements		<b>137,936</b>	35,123	<b>137,936</b>	35,123
Financial assets at fair value through profit or loss	8	<b>985,485</b>	1,080,680	<b>985,485</b>	1,080,680
Financial investments available-for-sale	9	<b>1,001,899</b>	973,149	<b>1,001,663</b>	972,915
Financial investments held-to-maturity	10	<b>853,750</b>	909,215	<b>853,750</b>	909,215
Derivative financial assets	17	<b>20,792</b>	19,916	<b>20,792</b>	19,916
Loans and advances	11	<b>243,385</b>	236,592	<b>243,385</b>	236,592
Clients' and brokers' balances	12	<b>530,742</b>	267,774	<b>530,742</b>	267,774
Other assets	13	<b>55,177</b>	48,021	<b>55,176</b>	48,020
Statutory deposits with Bank					
Negara Malaysia		<b>37,740</b>	58,100	<b>37,740</b>	58,100
Investment in subsidiaries		-	-	<b>200</b>	200
Deferred tax assets		<b>92,249</b>	90,153	<b>92,249</b>	90,153
Property and equipment		<b>4,518</b>	4,755	<b>4,518</b>	4,755
Intangible assets - computer software		<b>4,401</b>	4,810	<b>4,401</b>	4,810
Goodwill		<b>28,986</b>	28,986	<b>28,986</b>	28,986
<b>TOTAL ASSETS</b>		<b>4,362,969</b>	3,964,013	<b>4,362,876</b>	3,963,908
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	15	<b>628,266</b>	648,867	<b>628,266</b>	648,867
Deposits and placements of banks and other financial institutions	16	<b>2,256,739</b>	2,247,733	<b>2,256,739</b>	2,247,733
Obligations on securities sold under repurchase agreements		<b>259,760</b>	149,111	<b>259,760</b>	149,111
Derivative financial liabilities	17	<b>50,620</b>	47,959	<b>50,620</b>	47,959
Clients' and brokers' balances		<b>506,104</b>	220,494	<b>506,104</b>	220,494
Other liabilities	18	<b>89,424</b>	95,599	<b>89,493</b>	95,678
Subordinated obligations	19	<b>50,935</b>	50,262	<b>50,935</b>	50,262
<b>TOTAL LIABILITIES</b>		<b>3,841,848</b>	3,460,025	<b>3,841,917</b>	3,460,104
<b>EQUITY</b>					
Share capital		<b>252,950</b>	252,950	<b>252,950</b>	252,950
Reserves		<b>268,171</b>	251,038	<b>268,009</b>	250,854
<b>TOTAL EQUITY</b>		<b>521,121</b>	503,988	<b>520,959</b>	503,804
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,362,969</b>	3,964,013	<b>4,362,876</b>	3,963,908
<b>COMMITMENTS AND CONTINGENCIES</b>					
	26	<b>7,554,813</b>	7,931,230	<b>7,554,813</b>	7,931,230
<b>Net assets per ordinary share (RM)</b>		<b>3.16</b>	3.05	<b>3.16</b>	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 30 SEPTEMBER 2017**

	Note	<b>The Group</b>			
		<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
		<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
		<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
		<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	20	<b>37,738</b>	36,630	<b>37,738</b>	36,630
Interest expense	21	<b>(27,597)</b>	(26,051)	<b>(27,597)</b>	(26,051)
Net interest income		<b>10,141</b>	10,579	<b>10,141</b>	10,579
Non-interest income	22	<b>24,697</b>	24,035	<b>24,697</b>	24,035
Net income		<b>34,838</b>	34,614	<b>34,838</b>	34,614
Overhead expenses	23	<b>(20,165)</b>	(19,487)	<b>(20,165)</b>	(19,487)
Net operating profit		<b>14,673</b>	15,127	<b>14,673</b>	15,127
(Allowance for)/write-back of impairment losses on loans and advances and other losses	24	<b>(269)</b>	12	<b>(269)</b>	12
<b>Profit before taxation</b>		<b>14,404</b>	15,139	<b>14,404</b>	15,139
Taxation		<b>2,249</b>	2,280	<b>2,249</b>	2,280
<b>Net profit for the financial period</b>		<b>16,653</b>	17,419	<b>16,653</b>	17,419
Earnings per share (sen)					
- Basic		<b>10.1</b>	10.6	<b>10.1</b>	10.6
- Diluted		<b>10.1</b>	10.6	<b>10.1</b>	10.6

*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 30 SEPTEMBER 2017**

	<b>Individual Quarter</b>		<b>The Group Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial period</b>	<b>16,653</b>	17,419	<b>16,653</b>	17,419
<b>Other comprehensive income/(expense):</b>				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale	<b>1,292</b>	2,373	<b>1,292</b>	2,373
- Net transfer to income statements on disposal of financial investments available-for-sale	<b>(659)</b>	(2,008)	<b>(659)</b>	(2,008)
Income tax relating to net fair value changes on financial investments available-for-sale	<b>(153)</b>	(88)	<b>(153)</b>	(88)
<b>Other comprehensive income for the financial period, net of tax</b>	<b>480</b>	277	<b>480</b>	277
<b>Total comprehensive income for the financial period, net of tax</b>	<b>17,133</b>	17,696	<b>17,133</b>	17,696

*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 30 SEPTEMBER 2017**

		<b>The Bank</b>				
		<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>		
		<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>	
<b>Note</b>		<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>	
		<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
	Interest income	20	37,727	36,604	37,727	36,604
	Interest expense	21	(27,597)	(26,051)	(27,597)	(26,051)
	Net interest income		10,130	10,553	10,130	10,553
	Non-interest income	22	24,678	24,026	24,678	24,026
	Net income		34,808	34,579	34,808	34,579
	Overhead expenses	23	(20,113)	(19,437)	(20,113)	(19,437)
	Net operating profit		14,695	15,142	14,695	15,142
	(Allowance for)/write-back of impairment losses on loans and advances and other losses	24	(269)	12	(269)	12
	<b>Profit before taxation</b>		<b>14,426</b>	15,154	<b>14,426</b>	15,154
	Taxation		2,249	2,281	2,249	2,281
	<b>Net profit for the financial period</b>		<b>16,675</b>	17,435	<b>16,675</b>	17,435
	Earnings per share (sen)					
	- Basic		10.1	10.6	10.1	10.6
	- Diluted		10.1	10.6	10.1	10.6

*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 30 SEPTEMBER 2017**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial period</b>	<b>16,675</b>	17,435	<b>16,675</b>	17,435
<b>Other comprehensive income/(expense):</b>				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale	<b>1,292</b>	2,373	<b>1,292</b>	2,373
- Net transfer to income statements on disposal of financial investments available-for-sale	<b>(659)</b>	(2,008)	<b>(659)</b>	(2,008)
Income tax relating to net fair value changes on financial investments available-for-sale	<b>(153)</b>	(88)	<b>(153)</b>	(88)
<b>Other comprehensive income for the financial period, net of tax</b>	<b>480</b>	277	<b>480</b>	277
<b>Total comprehensive income for the financial period, net of tax</b>	<b>17,155</b>	17,712	<b>17,155</b>	17,712

*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 30 SEPTEMBER 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	
<b><u>The Group</u></b>							
<b>At 1 July 2017</b>	<b>252,950</b>	-	-	<b>2,504</b>	<b>1,440</b>	<b>247,094</b>	<b>503,988</b>
Net profit for the financial period	-	-	-	-	-	<b>16,653</b>	<b>16,653</b>
Other comprehensive income, net of tax	-	-	-	-	<b>480</b>	-	<b>480</b>
Total comprehensive income for the financial period	-	-	-	-	<b>480</b>	<b>16,653</b>	<b>17,133</b>
Transfer from regulatory reserve	-	-	-	(235)	-	<b>235</b>	-
<b>At 30 September 2017</b>	<b>252,950</b>	-	-	<b>2,269</b>	<b>1,920</b>	<b>263,982</b>	<b>521,121</b>
<b>At 1 July 2016</b>	165,000	87,950	196,867	3,563	5,637	36,634	495,651
Net profit for the financial period	-	-	-	-	-	17,419	17,419
Other comprehensive income, net of tax	-	-	-	-	277	-	277
Total comprehensive income for the financial period	-	-	-	-	277	17,419	17,696
Transfer from regulatory reserve	-	-	-	(385)	-	385	-
<b>At 30 September 2016</b>	<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,178</b>	<b>5,914</b>	<b>54,438</b>	<b>513,347</b>

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 30 SEPTEMBER 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	
<b><u>The Bank</u></b>							
<b>At 1 July 2017</b>	<b>252,950</b>	-	-	<b>2,504</b>	<b>1,440</b>	<b>246,910</b>	<b>503,804</b>
Net profit for the financial period	-	-	-	-	-	<b>16,675</b>	<b>16,675</b>
Other comprehensive income, net of tax	-	-	-	-	<b>480</b>	-	<b>480</b>
Total comprehensive income for the financial period	-	-	-	-	<b>480</b>	<b>16,675</b>	<b>17,155</b>
Transfer from regulatory reserve	-	-	-	<b>(235)</b>	-	<b>235</b>	-
<b>At 30 September 2017</b>	<b>252,950</b>	-	-	<b>2,269</b>	<b>1,920</b>	<b>263,820</b>	<b>520,959</b>
<b>At 1 July 2016</b>	165,000	87,950	196,867	3,563	5,637	36,357	495,374
Net profit for the financial period	-	-	-	-	-	17,435	17,435
Other comprehensive income, net of tax	-	-	-	-	277	-	277
Total comprehensive income for the financial period	-	-	-	-	277	17,435	17,712
Transfer from regulatory reserve	-	-	-	<b>(385)</b>	-	385	-
<b>At 30 September 2016</b>	<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,178</b>	<b>5,914</b>	<b>54,177</b>	<b>513,086</b>

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 30 SEPTEMBER 2017**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>				
Profit before taxation	<b>14,404</b>	15,139	<b>14,426</b>	15,154
Adjustments for non-cash items	<b>(20,844)</b>	(16,288)	<b>(20,844)</b>	(16,288)
Operating loss before changes in working capital	<b>(6,440)</b>	(1,149)	<b>(6,418)</b>	(1,134)
Changes in working capital:				
Net changes in operating assets	<b>(269,427)</b>	57,504	<b>(269,427)</b>	57,669
Net changes in operating liabilities	<b>378,489</b>	38,314	<b>378,479</b>	39,851
Net income tax refund	-	5	-	-
Net cash generated from operating activities	<b>102,622</b>	94,674	<b>102,634</b>	96,386
Net cash generated from/(used in) investing activities	<b>56,548</b>	(48,746)	<b>56,550</b>	(48,746)
Net changes in cash and cash equivalents	<b>159,170</b>	45,928	<b>159,184</b>	47,640
Cash and cash equivalents at beginning of financial period	<b>206,739</b>	270,795	<b>206,669</b>	269,053
Cash and cash equivalents at end of financial period	<b>365,909</b>	316,723	<b>365,853</b>	316,693
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	<b>365,909</b>	316,723	<b>365,853</b>	316,693
Deposit and placements with other financial institutions	-	-	-	-
	<b>365,909</b>	316,723	<b>365,853</b>	316,693

*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 year ended 30 September 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 30 September 2017.

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

**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 30 September 2017.

**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 2017.

**7. Dividends**

There were no dividends paid during the financial quarter ended 30 September 2017.

**8. Financial assets at fair value through profit or loss**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets held-for-trading</b>		
<b>Money market instruments</b>		
Malaysian Government Investment Issues	10,067	30,561
Negotiable instruments of deposits	630,962	831,596
	641,029	862,157
<b>Quoted securities</b>		
In Malaysia:		
Shares	16,029	19,501
<b>Unquoted securities</b>		
Foreign currency bonds	-	-
Corporate bond and/or sukuk	328,348	198,943
	328,348	198,943
	985,406	1,080,601
<b>Financial assets designated at fair value through profit or loss</b>		
<b>Quoted securities</b>		
In Malaysia:		
Shares	79	79
	985,485	1,080,680

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

**EXPLANATORY NOTES**

**9. Financial investments available-for-sale**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>				
Malaysian Government Securities	30,792	30,378	30,792	30,378
Malaysian Government Investment Issues	112,508	60,896	112,508	60,896
Cagamas bonds	51,001	65,442	51,001	65,442
	<b>194,301</b>	<b>156,716</b>	<b>194,301</b>	<b>156,716</b>
<b>Quoted securities</b>				
Unit trust investment	236	234	-	-
<b>Unquoted securities</b>				
Shares	245	245	245	245
Foreign currency bonds	51,979	74,832	51,979	74,832
Corporate bond and/or sukuk	755,138	741,122	755,138	741,122
	<b>807,362</b>	<b>816,199</b>	<b>807,362</b>	<b>816,199</b>
	<b>1,001,899</b>	<b>973,149</b>	<b>1,001,663</b>	<b>972,915</b>

**10. Financial investments held-to-maturity**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	160,245	211,031
Malaysian Government Investment Issues	515,636	518,643
	<b>675,881</b>	<b>729,674</b>
<b>Unquoted securities</b>		
Foreign currency bonds	91,846	93,757
Corporate bond and/or sukuk	86,023	85,784
	<b>177,869</b>	<b>179,541</b>
	<b>853,750</b>	<b>909,215</b>

**HONG LEONG INVESTMENT BANK BERHAD**  
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**EXPLANATORY NOTES**

**11. Loans and advances**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan financing	24,401	25,685
Share margin financing	219,229	210,707
Staff loans	63	64
Other loans	462	586
<b>Gross loans and advances</b>	<b>244,155</b>	<b>237,042</b>
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(110)	(110)
- collective assessment allowance	(660)	(340)
<b>Total net loans and advances</b>	<b>243,385</b>	<b>236,592</b>
 <b>(i) Gross loans and advances disbursed by type of customers are as follows:</b>		
Domestic business enterprises		
- Small and medium enterprises	62	110
- Others	118,875	120,574
Individuals	117,461	108,535
Foreign entities	7,757	7,823
	<b>244,155</b>	<b>237,042</b>
 <b>(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:</b>		
Variable rate	243,630	236,392
Fixed rate		
- Staff housing loans	63	64
- Other fixed rate loans	462	586
	<b>244,155</b>	<b>237,042</b>
 <b>(iii) Gross loans and advances analysed by residual contractual maturity are as follows:</b>		
Maturing within one year	234,200	225,988
One year to three years	9,892	10,990
Over five years	63	64
	<b>244,155</b>	<b>237,042</b>

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**EXPLANATORY NOTES**

**11. Loans and advances (continued)**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) Loans and advances analysed by their economic purposes are as follows:</b>		
Working capital	24,224	25,685
Purchase of securities	219,406	210,707
Purchase of transport vehicles	110	110
Purchase of landed properties	415	540
	<b>244,155</b>	<b>237,042</b>
<b>(v) Gross loans and advances analysed by geographical distribution are as follows:</b>		
Malaysia	<b>244,155</b>	<b>237,042</b>
<b>(vi) Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
At 1 July	11,576	574
Impaired during the financial period/year	-	11,002
Amount written-back during the financial period/year	(1,399)	-
At 30 June	<b>10,177</b>	<b>11,576</b>
<b>(vii) Movements in allowance for loans and advances are as follows:</b>		
<b>Individual assessment allowance</b>		
At 1 July	110	100
Allowance made during the financial period/year	-	10
At 30 June	<b>110</b>	<b>110</b>
<b>Collective assessment allowance</b>		
At 1 July	340	914
Allowance made/(written-back) during the financial period/year	320	(574)
At 30 June	<b>660</b>	<b>340</b>
<b>(viii) Impaired loans and advances analysed by their economic purposes are as follows:</b>		
Purchase of transport vehicles	110	110
Purchase of landed properties	351	476
Working capital	9,716	10,990
	<b>10,177</b>	<b>11,576</b>

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**EXPLANATORY NOTES**

**12. Clients' and brokers' balances**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	<b>529,378</b>	266,955
Impaired accounts	<b>1,834</b>	1,264
	<b>531,212</b>	268,219
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	<b>(441)</b>	(417)
- collective assessment allowance	<b>(29)</b>	(28)
	<b>530,742</b>	267,774

**13. Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax recoverable	<b>1</b>	1	-	-
Amount due from related companies	<b>645</b>	20	<b>645</b>	20
Deposits and prepayments	<b>6,762</b>	5,004	<b>6,762</b>	5,004
Fee income receivables	<b>14,335</b>	16,076	<b>14,335</b>	16,076
Collaterals pledged for derivative transactions	<b>24,676</b>	22,531	<b>24,676</b>	22,531
Other receivables	<b>8,758</b>	4,389	<b>8,758</b>	4,389
	<b>55,177</b>	48,021	<b>55,176</b>	48,020

**14. Valuation of property and equipment**

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

**HONG LEONG INVESTMENT BANK BERHAD**  
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**EXPLANATORY NOTES**

**15. Deposits from customers**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	<b>628,266</b>	648,867
 (i) The deposits are sourced from the following customers:		
Government & statutory bodies	<b>475,014</b>	456,337
Business enterprises	<b>132,466</b>	171,984
Individuals	<b>20,786</b>	20,546
	<b>628,266</b>	648,867
 (ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	<b>628,266</b>	642,665
- six months to one year	-	6,202
	<b>628,266</b>	648,867

**16. Deposits and placements of banks and other financial institutions**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>602,784</b>	778,053
Licensed investment banks	<b>25,011</b>	50,004
Other financial institutions	<b>1,628,944</b>	1,419,676
	<b>2,256,739</b>	2,247,733

**HONG LEONG INVESTMENT BANK BERHAD**  
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**EXPLANATORY NOTES**

**17. Derivative financial assets/liabilities**

	<b>The Group and the Bank</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>30.09.2017</b>			
Interest rate related contracts:			
- Interest rate swaps	4,605,000	12,677	(23,694)
- Futures	192,181	407	-
- Cross currency swaps	168,950	951	(15,028)
Foreign exchange related contracts:			
- Foreign currency swaps	1,688,555	6,042	(11,878)
- Foreign currency forwards	58,616	256	(20)
- Foreign currency spots	63	-	-
Equity related contracts:			
- Call options	7,000	459	-
	<b>6,720,365</b>	<b>20,792</b>	<b>(50,620)</b>
<b>30.06.2017</b>			
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	-
	<b>7,128,230</b>	<b>19,916</b>	<b>(47,959)</b>

**HONG LEONG INVESTMENT BANK BERHAD**  
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**EXPLANATORY NOTES**

**18. Other liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to holding company	17	265	17	265
Amount due to a subsidiary companies	-	-	-	-
Remisiers' trust deposits	13,730	13,786	13,730	13,786
Other payables and accrued liabilities	75,474	81,346	75,543	81,425
Provision for post employment benefits	203	202	203	202
	<b>89,424</b>	<b>95,599</b>	<b>89,493</b>	<b>95,678</b>

**19. Subordinated obligations**

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,060	392
	<b>51,060</b>	50,392
Less: Unamortised discounts	(125)	(130)
	<b>50,935</b>	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.

**HONG LEONG INVESTMENT BANK BERHAD**  
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**EXPLANATORY NOTES**

**20. Interest income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	3,577	5,779	3,577	5,779
Money at call and deposit placements with financial institutions	774	459	774	459
Financial assets at fair value through profit or loss	9,867	12,760	9,867	12,760
Financial investments available-for-sale	8,853	8,504	8,853	8,504
Financial investments held-to-maturity	8,327	5,181	8,327	5,181
Derivative financial instruments	2,280	1,876	2,280	1,876
Others	4,060	2,071	4,060	2,071
<b>Total interest income</b>	<b>37,738</b>	<b>36,630</b>	<b>37,738</b>	<b>36,630</b>

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	3,577	5,779	3,577	5,779
Money at call and deposit placements with financial institutions	763	433	763	433
Financial assets at fair value through profit or loss	9,867	12,760	9,867	12,760
Financial investments available-for-sale	8,853	8,504	8,853	8,504
Financial investments held-to-maturity	8,327	5,181	8,327	5,181
Derivative financial instruments	2,280	1,876	2,280	1,876
Others	4,060	2,071	4,060	2,071
<b>Total interest income</b>	<b>37,727</b>	<b>36,604</b>	<b>37,727</b>	<b>36,604</b>

**21. Interest expense**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	8,462	6,352	8,462	6,352
Deposits from customers	13,738	15,433	13,738	15,433
Derivative financial instruments	3,324	3,492	3,324	3,492
Subordinated notes	673	681	673	681
Others	1,400	93	1,400	93
	<b>27,597</b>	<b>26,051</b>	<b>27,597</b>	<b>26,051</b>

**HONG LEONG INVESTMENT BANK BERHAD**  
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**EXPLANATORY NOTES**

**22. Non-interest income**

	<b>Individual Quarter</b>		<b>The Group Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2017 RM'000</b>	<b>Last year's quarter ended 30.09.2016 RM'000</b>	<b>Current year ended 30.09.2017 RM'000</b>	<b>Last year's ended 30.09.2016 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	905	985	905	985
Arranger fees	2,083	600	2,083	600
Placement fees	50	240	50	240
Brokerage income	14,350	12,608	14,350	12,608
Fees on loans and advances	-	52	-	52
Commission from future contracts	201	77	201	77
Other fee income	5,918	1,035	5,918	1,035
	<b>23,507</b>	<b>15,597</b>	<b>23,507</b>	<b>15,597</b>
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	3,273	7,757	3,273	7,757
- financial investments available-for-sale	748	2,621	748	2,621
- derivative financial instruments	(7,481)	(3,199)	(7,481)	(3,199)
Net unrealised loss on revaluation of:				
- financial assets at fair value through profit or loss	(2,875)	(363)	(2,875)	(363)
- derivative financial instruments	(1,741)	(6,928)	(1,741)	(6,928)
Dividend income from:				
- financial assets at fair value through profit or loss	1,395	390	1,395	390
- financial investments available-for-sale	63	3	63	3
	<b>(6,618)</b>	<b>281</b>	<b>(6,618)</b>	<b>281</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	-	82	-	82
Loss on liquidation of subsidiaries	-	(7)	-	(7)
Foreign exchange gain	7,799	8,077	7,799	8,077
Other non-operating income	9	5	9	5
	<b>7,808</b>	<b>8,157</b>	<b>7,808</b>	<b>8,157</b>
Total non-interest income	<b>24,697</b>	<b>24,035</b>	<b>24,697</b>	<b>24,035</b>

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**EXPLANATORY NOTES**

**22. Non-interest income (continued)**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	905	985	905	985
Arranger fees	2,083	600	2,083	600
Placement fees	50	240	50	240
Brokerage income	14,350	12,608	14,350	12,608
Fees on loans and advances	-	52	-	52
Commission from future contracts	201	77	201	77
Other fee income	5,901	1,027	5,901	1,027
	<b>23,490</b>	<b>15,589</b>	<b>23,490</b>	<b>15,589</b>
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	3,273	7,757	3,273	7,757
- financial investments available-for-sale	748	2,621	748	2,621
- derivative financial instruments	(7,481)	(3,199)	(7,481)	(3,199)
Net unrealised loss on revaluation of:				
- financial assets at fair value through profit or loss	(2,875)	(363)	(2,875)	(363)
- derivative financial instruments	(1,741)	(6,928)	(1,741)	(6,928)
Dividend income from:				
- financial assets at fair value through profit or loss	1,395	390	1,395	390
- financial investments available-for-sale	61	-	61	-
	<b>(6,620)</b>	<b>278</b>	<b>(6,620)</b>	<b>278</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	-	82	-	82
Loss on liquidation of subsidiaries	-	(4)	-	(4)
Foreign exchange gain	7,799	8,077	7,799	8,077
Other non-operating income	9	4	9	4
	<b>7,808</b>	<b>8,159</b>	<b>7,808</b>	<b>8,159</b>
Total non-interest income	<b>24,678</b>	<b>24,026</b>	<b>24,678</b>	<b>24,026</b>

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**EXPLANATORY NOTES**

**23. Overhead expenses**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	<b>11,783</b>	11,242	<b>11,783</b>	11,242
Promotion and marketing related expenses	<b>451</b>	490	<b>451</b>	490
Establishment related expenses	<b>3,725</b>	3,898	<b>3,725</b>	3,898
General administrative expenses	<b>4,206</b>	3,857	<b>4,206</b>	3,857
	<b>20,165</b>	19,487	<b>20,165</b>	19,487
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>9,774</b>	9,138	<b>9,774</b>	9,138
Defined contribution plan	<b>1,517</b>	1,456	<b>1,517</b>	1,456
Other employee benefits	<b>492</b>	648	<b>492</b>	648
	<b>11,783</b>	11,242	<b>11,783</b>	11,242
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>-</b>	1	<b>-</b>	1
Entertainment and business improvement	<b>408</b>	431	<b>408</b>	431
Others	<b>43</b>	58	<b>43</b>	58
	<b>451</b>	490	<b>451</b>	490
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>392</b>	332	<b>392</b>	332
Amortisation of intangible assets	<b>667</b>	717	<b>667</b>	717
Rental expenses	<b>968</b>	1,122	<b>968</b>	1,122
Others	<b>1,698</b>	1,727	<b>1,698</b>	1,727
	<b>3,725</b>	3,898	<b>3,725</b>	3,898
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	<b>680</b>	635	<b>680</b>	635
Teletransmission expenses	<b>1,380</b>	1,117	<b>1,380</b>	1,117
Auditors' remuneration				
- Statutory audit fees	<b>68</b>	65	<b>68</b>	65
Legal and professional fees	<b>872</b>	860	<b>872</b>	860
Others	<b>1,206</b>	1,180	<b>1,206</b>	1,180
	<b>4,206</b>	3,857	<b>4,206</b>	3,857

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**EXPLANATORY NOTES**

**23. Overhead expenses (continued)**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2017 RM'000</b>	<b>Last year's quarter ended 30.09.2016 RM'000</b>	<b>Current year ended 30.09.2017 RM'000</b>	<b>Last year's ended 30.09.2016 RM'000</b>
Personnel expenses	11,743	11,205	11,743	11,205
Promotion and marketing related expenses	451	490	451	490
Establishment related expenses	3,715	3,888	3,715	3,888
General administrative expenses	4,204	3,854	4,204	3,854
	<b>20,113</b>	<b>19,437</b>	<b>20,113</b>	<b>19,437</b>
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	9,740	9,107	9,740	9,107
Defined contribution plan	1,511	1,450	1,511	1,450
Other employee benefits	492	648	492	648
	<b>11,743</b>	<b>11,205</b>	<b>11,743</b>	<b>11,205</b>
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	-	1	-	1
Entertainment and business improvement	408	431	408	431
Others	43	58	43	58
	<b>451</b>	<b>490</b>	<b>451</b>	<b>490</b>
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	392	332	392	332
Amortisation of intangible assets	667	717	667	717
Rental expenses	960	1,114	960	1,114
Others	1,696	1,725	1,696	1,725
	<b>3,715</b>	<b>3,888</b>	<b>3,715</b>	<b>3,888</b>
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	680	635	680	635
Teletransmission expenses	1,380	1,117	1,380	1,117
Auditors' remuneration				
- Statutory audit fees	66	63	66	63
Legal and professional fees	872	860	872	860
Others	1,206	1,179	1,206	1,179
	<b>4,204</b>	<b>3,854</b>	<b>4,204</b>	<b>3,854</b>

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2017 RM'000</b>	<b>Last year's quarter ended 30.09.2016 RM'000</b>	<b>Current year ended 30.09.2017 RM'000</b>	<b>Last year's ended 30.09.2016 RM'000</b>
(Allowance for)/write-back of losses on impaired loans and advances:				
(a) Collective assessment (made)/written-back during the financial period	<b>(320)</b>	46	<b>(320)</b>	46
(Allowance for)/write-back of losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	<b>(100)</b>	(59)	<b>(100)</b>	(59)
- written-back during the financial period	<b>76</b>	23	<b>76</b>	23
(b) Collective assessment (made)/written-back during the financial period	<b>(1)</b>	2	<b>(1)</b>	2
Allowance for losses on other debtors				
(a) Individual assessment allowance				
- written-back during the financial period	<b>76</b>	-	<b>76</b>	-
	<b>(269)</b>	12	<b>(269)</b>	12

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**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.

**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.

	<b>The Group and the Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>Principal Amount RM'000</b>	<b>Principal Amount RM'000</b>
<b>Commitments and Contingent Liabilities</b>		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	130,000	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	6,469	10,352
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	262	326
- maturity over one year	92,824	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	603,893	661,322
	<b>834,448</b>	<b>803,000</b>
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	1,806,656	1,778,383
- Over one year to five years	2,914,475	3,485,885
- Over five years	245,000	245,000
Foreign exchange related contracts:		
- One year or less	1,747,234	1,611,962
Equity related contracts:		
- One year or less	-	-
- Over one year to five years	7,000	7,000
	<b>6,720,365</b>	<b>7,128,230</b>
	<b>7,554,813</b>	<b>7,931,230</b>

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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

<b>The Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30.09.2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	16,029	969,456	-	985,485
- Money market instruments	-	641,029	-	641,029
- Quoted securities	16,029	79	-	16,108
- Unquoted securities	-	328,348	-	328,348
Financial investments available-for-sale	236	1,001,418	245	1,001,899
- Money market instruments	-	194,301	-	194,301
- Quoted securities	236	-	-	236
- Unquoted securities	-	807,117	245	807,362
Derivative financial assets	-	20,792	-	20,792
	<b>16,265</b>	<b>1,991,666</b>	<b>245</b>	<b>2,008,176</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	50,620	-	50,620
<b>30.06.2017</b>				
<b>Financial assets</b>				
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
	<b>19,735</b>	<b>2,053,765</b>	<b>245</b>	<b>2,073,745</b>
<b>Financial liability</b>				
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)

<b>The Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30.09.2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	16,029	969,456	-	985,485
- Money market instruments	-	641,029	-	641,029
- Quoted securities	16,029	79	-	16,108
- Unquoted securities	-	328,348	-	328,348
Financial investments available-for-sale	-	1,001,418	245	1,001,663
- Money market instruments	-	194,301	-	194,301
- Unquoted securities	-	807,117	245	807,362
Derivative financial assets	-	20,792	-	20,792
	<b>16,029</b>	<b>1,991,666</b>	<b>245</b>	<b>2,007,940</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	50,620	-	50,620
<b>30.06.2017</b>				
<b>Financial assets</b>				
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
	<b>19,501</b>	<b>2,053,765</b>	<b>245</b>	<b>2,073,511</b>
<b>Financial liability</b>				
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:

<b>The Group and the Bank</b>	<b>Financial investments available-for-sale</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Before deducting proposed dividends:</b>				
Common equity tier 1 ("CET1") capital ratio	<b>30.216%</b>	29.759%	<b>30.201%</b>	29.744%
Tier 1 capital ratio	<b>30.216%</b>	29.759%	<b>30.201%</b>	29.744%
Total capital ratio	<b>34.409%</b>	33.928%	<b>34.392%</b>	33.912%
<b>After deducting proposed dividends: <sup>(1)</sup></b>				
CET1 capital ratio	<b>25.812%</b>	25.414%	<b>25.796%</b>	25.398%
Tier 1 capital ratio	<b>25.812%</b>	25.414%	<b>25.796%</b>	25.398%
Total capital ratio	<b>30.005%</b>	29.583%	<b>29.987%</b>	29.566%

Note:

<sup>(1)</sup> Proposed dividends of RM55,000,000 (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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CET1 Capital</b>				
Paid-up ordinary share capital	<b>252,950</b>	252,950	<b>252,950</b>	252,950
Retained profits	<b>247,094</b>	247,094	<b>246,910</b>	246,910
Other reserves	<b>1,920</b>	1,440	<b>1,920</b>	1,440
Less: goodwill and intangibles	<b>(33,387)</b>	(33,796)	<b>(33,387)</b>	(33,796)
Less: deferred tax assets	<b>(90,153)</b>	(90,153)	<b>(90,153)</b>	(90,153)
Less: investment in subsidiary companies	-	-	<b>(160)</b>	(160)
Less: 55% of cumulative gains of financial instruments available-for-sale	<b>(1,056)</b>	(792)	<b>(1,056)</b>	(792)
<b>Total CET1 Capital</b>	<b>377,368</b>	376,743	<b>377,024</b>	376,399
<b>Tier 1 Capital</b>	<b>377,368</b>	376,743	<b>377,024</b>	376,399
<b>Tier 2 Capital</b>				
Collective assessment allowance <sup>(2)</sup> and regulatory reserve <sup>(3)</sup>	<b>2,357</b>	2,783	<b>2,357</b>	2,783
Subordinated obligations	<b>50,000</b>	50,000	<b>50,000</b>	50,000
Regulatory adjustments:				
- Investment in subsidiary companies	-	-	<b>(40)</b>	(40)
<b>Total Tier 2 Capital</b>	<b>52,357</b>	52,783	<b>52,317</b>	52,743
<b>Total Capital</b>	<b>429,725</b>	429,526	<b>429,341</b>	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 RM2,269,000 (2017: RM2,504,000).

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2017</b>	<b>30.06.2017</b>	<b>30.09.2017</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>536,261</b>	462,211	<b>536,014</b>	461,963
Market risk	<b>427,245</b>	517,433	<b>427,245</b>	517,433
Operational risk	<b>285,378</b>	286,353	<b>285,106</b>	286,064
	<b>1,248,884</b>	1,265,997	<b>1,248,365</b>	1,265,460

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**EXPLANATORY NOTES**

**29. Significant events during the financial quarter ended 30 September 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 30 September 2017 against the corresponding financial quarter**

For the current financial quarter ended 30 September 2017, the Group recorded a profit before tax of RM14.4 million, as compared to a RM15.1 million recorded in the corresponding financial quarter. The decrease in profit of RM0.7 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.