

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company No: 10209-W)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30.09.2019	30.06.2019	30.09.2019	30.06.2019
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		335,235	450,062	335,152	443,459
Financial assets at fair value through profit or loss ("FVTPL")	8	842,016	1,246,572	841,674	1,246,208
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,122,150	1,110,915	1,122,150	1,110,915
Financial investments at amortised cost	10	770,759	735,665	770,759	735,665
Derivative financial assets	17	27,041	28,310	27,041	28,310
Loans and advances	11	242,265	205,290	242,265	205,290
Clients' and brokers' balances	12	161,992	196,362	161,992	196,362
Other assets	13	25,596	47,472	25,585	47,459
Statutory deposits with Bank Negara Malaysia		33,802	37,259	33,802	37,259
Investment in subsidiaries		-	-	200	200
Deferred tax assets		83,141	80,926	83,141	80,926
Property and equipment	14	12,277	12,774	12,277	12,774
Right-of-use assets ("ROU")		23,863	-	23,863	-
Intangible assets - computer software		1,826	2,143	1,826	2,143
Goodwill		28,986	28,986	28,986	28,986
<b>TOTAL ASSETS</b>		<b>3,710,949</b>	4,182,736	<b>3,710,713</b>	4,175,956
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	15	602,717	748,004	602,717	748,004
Deposits and placements of banks and other financial institutions	16	2,084,934	2,422,120	2,084,934	2,422,120
Derivative financial liabilities	17	39,765	34,310	39,765	34,310
Clients' and brokers' balances		135,705	183,123	135,705	183,123
Lease liabilities		23,558	-	23,558	-
Provision for tax		8	8	-	-
Other liabilities	18	147,181	134,126	147,251	127,624
Subordinated obligations	19	152,325	150,505	152,325	150,505
<b>TOTAL LIABILITIES</b>		<b>3,186,193</b>	3,672,196	<b>3,186,255</b>	3,665,686
<b>EQUITY</b>					
Share capital		252,950	252,950	252,950	252,950
Reserves		271,806	257,590	271,508	257,320
<b>TOTAL EQUITY</b>		<b>524,756</b>	510,540	<b>524,458</b>	510,270
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,710,949</b>	4,182,736	<b>3,710,713</b>	4,175,956
<b>COMMITMENTS AND CONTINGENCIES</b>					
	26	8,878,652	11,469,676	8,878,652	11,469,676
<b>Net assets per ordinary share (RM)</b>		<b>3.18</b>	3.09	<b>3.18</b>	3.09

*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 2019.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	20a	<b>27,757</b>	29,300	<b>27,757</b>	29,300
Interest income for financial assets at FVTPL	20b	<b>9,865</b>	13,190	<b>9,865</b>	13,190
Interest expense	21	<b>(28,839)</b>	(31,808)	<b>(28,839)</b>	(31,808)
Net interest income		<b>8,783</b>	10,682	<b>8,783</b>	10,682
Non-interest income	22	<b>33,250</b>	25,567	<b>33,250</b>	25,567
Net income		<b>42,033</b>	36,249	<b>42,033</b>	36,249
Overhead expenses	23	<b>(27,833)</b>	(20,593)	<b>(27,833)</b>	(20,593)
Operating profit before allowances		<b>14,200</b>	15,656	<b>14,200</b>	15,656
Allowance for credit impairment losses	24	<b>(157)</b>	(321)	<b>(157)</b>	(321)
<b>Profit before taxation</b>		<b>14,043</b>	15,335	<b>14,043</b>	15,335
Taxation		<b>1,709</b>	2,521	<b>1,709</b>	2,521
<b>Net profit for the financial period</b>		<b>15,752</b>	17,856	<b>15,752</b>	17,856
Earnings per share (sen)					
- Basic		<b>9.5</b>	10.8	<b>9.5</b>	10.8
- Diluted		<b>9.5</b>	10.8	<b>9.5</b>	10.8

*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 2019.*

**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 2019**

	<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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</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>15,752</b>	17,856	<b>15,752</b>	17,856
<b>Other comprehensive (expense)/income:</b>				
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	<b>3,961</b>	3,912	<b>3,961</b>	3,912
- Net transfer to income statements on disposal of financial investments at FVOCI	<b>(6,036)</b>	(453)	<b>(6,036)</b>	(453)
- Net credit impairment loss changes in financial investments at FVOCI	<b>41</b>	355	<b>41</b>	355
Income tax relating to net fair value changes on financial investments at FVOCI	<b>498</b>	(830)	<b>498</b>	(830)
<b>Other comprehensive (expense)/income for the financial period, net of tax</b>	<b>(1,536)</b>	2,984	<b>(1,536)</b>	2,984
<b>Total comprehensive income for the financial period, net of tax</b>	<b>14,216</b>	20,840	<b>14,216</b>	20,840

*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 2019.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Note	<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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	20a	<b>27,731</b>	29,281	<b>27,731</b>	29,281
Interest income for financial assets at FVTPL	20b	<b>9,865</b>	13,190	<b>9,865</b>	13,190
Interest expense	21	<b>(28,839)</b>	(31,808)	<b>(28,839)</b>	(31,808)
Net interest income		<b>8,757</b>	10,663	<b>8,757</b>	10,663
Non-interest income	22	<b>33,193</b>	25,512	<b>33,193</b>	25,512
Net income		<b>41,950</b>	36,175	<b>41,950</b>	36,175
Overhead expenses	23	<b>(27,786)</b>	(20,548)	<b>(27,786)</b>	(20,548)
Operating profit before allowances		<b>14,164</b>	15,627	<b>14,164</b>	15,627
Allowance for credit impairment losses	24	<b>(157)</b>	(321)	<b>(157)</b>	(321)
<b>Profit before taxation</b>		<b>14,007</b>	15,306	<b>14,007</b>	15,306
Taxation		<b>1,717</b>	2,521	<b>1,717</b>	2,521
<b>Net profit for the financial period</b>		<b>15,724</b>	17,827	<b>15,724</b>	17,827
Earnings per share (sen)					
- Basic		<b>9.5</b>	10.8	<b>9.5</b>	10.8
- Diluted		<b>9.5</b>	10.8	<b>9.5</b>	10.8

*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 2019.*

**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 2019**

	<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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</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>15,724</b>	17,827	<b>15,724</b>	17,827
<b>Other comprehensive (expense)/income:</b>				
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	<b>3,961</b>	3,912	<b>3,961</b>	3,912
- Net transfer to income statements on disposal of financial investments at FVOCI	<b>(6,036)</b>	(453)	<b>(6,036)</b>	(453)
- Net credit impairment loss changes in financial investments at FVOCI	<b>41</b>	355	<b>41</b>	355
Income tax relating to net fair value changes on financial investments at FVOCI	<b>498</b>	(830)	<b>498</b>	(830)
<b>Other comprehensive (expense)/income for the financial period, net of tax</b>	<b>(1,536)</b>	2,984	<b>(1,536)</b>	2,984
<b>Total comprehensive income for the financial period, net of tax</b>	<b>14,188</b>	20,811	<b>14,188</b>	20,811

*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 2019.*

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 2019

	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	
<b><u>The Group</u></b>					
<b>At 1 July 2019</b>	<b>252,950</b>	<b>11,606</b>	<b>7,794</b>	<b>238,190</b>	<b>510,540</b>
Net profit for the financial period	-	-	-	15,752	15,752
Other comprehensive expense, net of tax	-	-	(1,536)	-	(1,536)
Total comprehensive (expense)/income for the financial period	-	-	(1,536)	15,752	14,216
Transfer from regulatory reserve	-	(77)	-	77	-
<b>At 30 September 2019</b>	<b>252,950</b>	<b>11,529</b>	<b>6,258</b>	<b>254,019</b>	<b>524,756</b>
At 1 July 2018	252,950	12,743	(1,391)	238,174	502,476
Net profit for the financial period	-	-	-	17,856	17,856
Other comprehensive income, net of tax	-	-	2,984	-	2,984
Total comprehensive income for the financial period	-	-	2,984	17,856	20,840
Transfer to regulatory reserve	-	638	-	(638)	-
<b>At 30 September 2018</b>	<b>252,950</b>	<b>13,381</b>	<b>1,593</b>	<b>255,392</b>	<b>523,316</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 2019.

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 2019

	Non-distributable			Distributable	Total RM'000
	Share capital 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 2019</b>	<b>252,950</b>	<b>11,606</b>	<b>7,794</b>	<b>237,920</b>	<b>510,270</b>
Net profit for the financial period	-	-	-	15,724	15,724
Other comprehensive expense, net of tax	-	-	(1,536)	-	(1,536)
Total comprehensive (expense)/income for the financial period	-	-	(1,536)	15,724	14,188
Transfer from regulatory reserve	-	(77)	-	77	-
<b>At 30 September 2019</b>	<b>252,950</b>	<b>11,529</b>	<b>6,258</b>	<b>253,721</b>	<b>524,458</b>
At 1 July 2018	252,950	12,743	(1,391)	237,945	502,247
Net profit for the financial period	-	-	-	17,827	17,827
Other comprehensive income, net of tax	-	-	2,984	-	2,984
Total comprehensive income for the financial period	-	-	2,984	17,827	20,811
Transfer to regulatory reserve	-	638	-	(638)	-
<b>At 30 September 2018</b>	<b>252,950</b>	<b>13,381</b>	<b>1,593</b>	<b>255,134</b>	<b>523,058</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 2019.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</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	14,043	15,335	14,007	15,306
Adjustments for non-cash items	(10,580)	(53,331)	(10,577)	(53,328)
Operating profit/(loss) before changes in working capital	3,463	(37,996)	3,430	(38,022)
Changes in working capital:				
Net changes in operating assets	422,629	339,424	422,605	339,427
Net changes in operating liabilities	(517,317)	387,440	(510,745)	387,488
Net income tax paid	(8)	(4)	-	-
Net cash (used in)/generated from operating activities	(91,233)	688,864	(84,710)	688,893
Net cash used in investing activities	(22,604)	(625,104)	(22,607)	(625,107)
Net cash used in financing activities	(990)	-	(990)	-
Net changes in cash and cash equivalents	(114,827)	63,760	(108,307)	63,786
Cash and cash equivalents at beginning of financial period	450,062	55,967	443,459	55,857
Cash and cash equivalents at end of financial period	335,235	119,727	335,152	119,643
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	335,235	161,675	335,152	161,591
Less:				
Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	(41,948)	-	(41,948)
	335,235	119,727	335,152	119,643

*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 2019.*



**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 2019 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 2019. 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 2019.

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 2019 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowings Costs'

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 16 as disclosed in Note 34.

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

**2. Audit report**

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

**3. Seasonality or cyclicity of operations**

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

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

**EXPLANATORY NOTES**

**4. Items affecting net income and cash flows**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 30 September 2019.

**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 2019.

**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 2019.

**7. Dividends**

There were no dividends paid during the financial quarter ended 30 September 2019.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>	<b>30.09.2019</b>	<b>30.06.2019</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	<b>41,556</b>	20,806	<b>41,556</b>	20,806
Malaysian Government Investment Issues	<b>21,319</b>	-	<b>21,319</b>	-
Negotiable instruments of deposits	<b>609,387</b>	991,171	<b>609,387</b>	991,171
Cagamas bonds	<b>5,018</b>	5,017	<b>5,018</b>	5,017
	<b>677,280</b>	1,016,994	<b>677,280</b>	1,016,994
<b>Quoted securities</b>				
In Malaysia:				
Shares	<b>19,238</b>	36,340	<b>19,238</b>	36,340
Unit trust investment	<b>342</b>	364	-	-
	<b>19,580</b>	36,704	<b>19,238</b>	36,340
<b>Unquoted securities</b>				
Shares	<b>1,365</b>	1,365	<b>1,365</b>	1,365
Foreign currency bonds	<b>25,356</b>	-	<b>25,356</b>	-
Corporate bond and/or sukuk	<b>118,435</b>	191,509	<b>118,435</b>	191,509
	<b>145,156</b>	192,874	<b>145,156</b>	192,874
	<b>842,016</b>	1,246,572	<b>841,674</b>	1,246,208

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

**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	196,911	235,724
Malaysian Government Investment Issues	31,129	31,073
Cagamas bonds	62,558	56,022
	<b>290,598</b>	<b>322,819</b>
<b>Unquoted securities</b>		
Foreign currency bonds	112,912	111,351
Corporate bond and/or sukuk	718,640	676,745
	<b>831,552</b>	<b>788,096</b>
	<b>1,122,150</b>	<b>1,110,915</b>

Movements in expected credit losses of debt instruments at FVOCI are as follows:-

	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
<b>The Group and the Bank</b>				
At 1 July 2019	143	-	-	143
Allowances made	3	-	-	3
Amount written back	(5)	-	-	(5)
New financial assets originated or purchased	87	-	-	87
Financial assets derecognised	(43)	-	-	(43)
Exchange differences	(1)	-	-	(1)
At 30 September 2019	<b>184</b>	<b>-</b>	<b>-</b>	<b>184</b>
At 1 July 2018	205	-	-	205
Allowances made	44	-	-	44
Amount written back	(20)	-	-	(20)
New financial assets originated or purchased	524	-	-	524
Financial assets derecognised	(607)	-	-	(607)
Exchange differences	(3)	-	-	(3)
At 30 June 2019	<b>143</b>	<b>-</b>	<b>-</b>	<b>143</b>

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**EXPLANATORY NOTES**

**10. Financial investments at amortised cost**

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	207,896	157,905
Malaysian Government Investment Issues	486,141	478,451
	<b>694,037</b>	<b>636,356</b>
<b>Unquoted securities</b>		
Foreign currency bonds	31,358	53,810
Corporate bond and/or sukuk	45,382	45,535
	<b>76,740</b>	<b>99,345</b>
Less: Expected credit losses	(18)	(36)
	<b>770,759</b>	<b>735,665</b>

Movements in expected credit losses of financial investments at amortised cost are as follows:

<b>The Group and the Bank</b>	<b>12 Months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total ECL RM'000</b>
At 1 July 2019	36	-	-	36
Financial assets derecognised	(18)	-	-	(18)
At 30 September 2019	<b>18</b>	-	-	<b>18</b>
At 1 July 2018	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	(3)	-	-	(3)
At 30 June 2019	<b>36</b>	-	-	<b>36</b>

**11. Loans and advances**

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan financing	55,054	19,862
Share margin financing	190,177	188,217
Staff loans	50	51
Other loans	515	515
Gross loans and advances	<b>245,796</b>	<b>208,645</b>
Allowance for impairment losses:		
- expected credit losses	(3,531)	(3,355)
Total net loans and advances	<b>242,265</b>	<b>205,290</b>

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Gross loans and advances disbursed by type of customers</b>		
Domestic business enterprises		
- Small and medium enterprises	24,619	509
- Others	89,007	71,282
Individuals	123,408	128,253
Foreign entities	8,762	8,601
	<b>245,796</b>	<b>208,645</b>
<b>(ii) Gross loans and advances analysed by interest rate sensitivity</b>		
Variable rate	245,231	208,079
Fixed rate		
- Staff housing loans	50	51
- Other fixed rate loans	515	515
	<b>245,796</b>	<b>208,645</b>
<b>(iii) Gross loans and advances analysed by residual contractual maturity</b>		
Maturing within one year	245,746	202,210
One year to three years	-	6,384
Over five years	50	51
	<b>245,796</b>	<b>208,645</b>
<b>(iv) Loans and advances analysed by their economic purposes</b>		
Working capital	6,384	6,384
Purchase of securities	238,847	201,696
Purchase of transport vehicles	126	126
Purchase of landed properties	439	439
	<b>245,796</b>	<b>208,645</b>
<b>(v) Gross loans and advances analysed by geographical distribution</b>		
Malaysia	<b>245,796</b>	<b>208,645</b>
<b>(vi) Impaired loans and advances</b>		
<b>(a) Movements in impaired loans and advances</b>		
At 1 July	6,898	6,873
Impaired during the financial period/year	-	25
At 30 September/30 June	<b>6,898</b>	<b>6,898</b>

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vi) Impaired loans and advances (continued)</b>		
<b>(b) By economic purposes</b>		
Purchase of transport vehicles	126	126
Purchase of landed properties	388	388
Working capital	6,384	6,384
	<b>6,898</b>	<b>6,898</b>

**(vii) Movements in allowance for impairment losses:**

**Expected credit losses**

<b>The Group and the Bank</b>	<b>12 Months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total ECL RM'000</b>
At 1 July 2019	140	1	3,214	3,355
Transferred to Stage 1	2	(2)	-	-
Transferred to Stage 2	(2)	2	-	-
New financial assets originated	79	-	-	79
Allowance made	92	-	34	126
Allowance written-back	(29)	-	-	(29)
At 30 September 2019	<b>282</b>	<b>1</b>	<b>3,248</b>	<b>3,531</b>
At 1 July 2018	223	3	2,959	3,185
Transferred to Stage 1	18	(18)	-	-
Transferred to Stage 2	(16)	16	-	-
New financial assets originated	21	1	-	22
Financial assets derecognised	(4)	-	-	(4)
Allowance made	29	1	287	317
Allowance written-back	(131)	(2)	(32)	(165)
At 30 June 2019	<b>140</b>	<b>1</b>	<b>3,214</b>	<b>3,355</b>

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	161,581	195,980
Impaired accounts	618	602
	<b>162,199</b>	196,582
Allowance for impairment losses:		
- expected credit losses	(207)	(220)
	<b>161,992</b>	196,362

**13. Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due from holding company	169	133	169	133
Amount due from related companies	231	474	231	474
Deposits and prepayments	8,730	8,105	8,719	8,105
Fee income receivables	5,634	8,883	5,634	8,883
Collaterals pledged for derivative transactions	8,024	7,417	8,024	7,417
Treasury related receivables	11	19,185	11	19,185
Other receivables	4,176	4,645	4,176	4,632
	<b>26,975</b>	48,842	<b>26,964</b>	48,829
Allowance for impairment losses:				
- Expected credit losses	(1,379)	(1,370)	(1,379)	(1,370)
	<b>25,596</b>	47,472	<b>25,585</b>	47,459

**14. Valuation of property and equipment**

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

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**EXPLANATORY NOTES**

**15. Deposits from customers**

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	<b>602,717</b>	748,004
(i) The deposits are sourced from the following customers:		
Government & statutory bodies	495,163	525,319
Business enterprises	89,261	180,092
Individuals	18,293	42,593
	<b>602,717</b>	748,004
(ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	583,795	748,004
- six months to one year	18,922	-
	<b>602,717</b>	748,004

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

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	288,869	319,492
Licensed investment banks	-	130,032
Other financial institutions	1,796,065	1,972,596
	<b>2,084,934</b>	2,422,120



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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>30.09.2019</b>			
Interest rate related contracts:			
- Interest rate swaps	6,145,000	20,356	(32,710)
- Futures	76,650	102	(193)
- Cross currency swaps	83,770	1,773	-
Foreign exchange related contracts:			
- Foreign currency swaps	1,597,251	4,687	(6,478)
- Foreign currency forwards	155,380	74	(384)
Equity related contracts:			
- Futures	9,858	37	-
- Call options	7,000	12	-
	<b>8,074,909</b>	<b>27,041</b>	<b>(39,765)</b>
<b>30.06.2019</b>			
Interest rate related contracts:			
- Interest rate swaps	8,005,000	16,732	(29,429)
- Futures	91,819	-	(134)
- Cross currency swaps	82,720	2,745	-
Foreign exchange related contracts:			
- Foreign currency swaps	2,313,381	8,731	(4,228)
- Foreign currency forwards	170,641	48	(519)
Equity related contracts:			
- Futures	29,152	39	-
- Call options	7,000	15	-
	<b>10,699,713</b>	<b>28,310</b>	<b>(34,310)</b>

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**EXPLANATORY NOTES**

**18. Other liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to a subsidiary companies	-	-	2	-
Remisiers' trust deposits	<b>13,038</b>	13,011	<b>13,038</b>	13,011
Treasury related payables	-	20,624	-	20,624
Advance payments received for corporate exercise	<b>243</b>	66,015	<b>243</b>	66,015
Other payables and accrued liabilities	<b>133,687</b>	34,264	<b>133,755</b>	27,762
Provision for post employment benefits	<b>213</b>	212	<b>213</b>	212
	<b>147,181</b>	134,126	<b>147,251</b>	127,624

**19. Subordinated obligations**

	<b>The Group and the Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
RM150.0 million Tier 2 subordinated notes, at par	<b>150,000</b>	150,000
Add: Interest payable	<b>2,338</b>	603
	<b>152,338</b>	150,603
Less: Unamortised discounts	<b>(13)</b>	(98)
	<b>152,325</b>	150,505

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.

Subsequently, on 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

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**EXPLANATORY NOTES**

**20a. Interest income**

	<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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	<b>3,252</b>	3,365	<b>3,252</b>	3,365
Money at call and deposit placements with financial institutions	<b>3,750</b>	700	<b>3,750</b>	700
Financial investments at FVOCI	<b>10,013</b>	14,897	<b>10,013</b>	14,897
Financial investments at amortised cost	<b>6,887</b>	6,370	<b>6,887</b>	6,370
Others	<b>3,855</b>	3,968	<b>3,855</b>	3,968
<b>Total interest income</b>	<b>27,757</b>	29,300	<b>27,757</b>	29,300

	<b>Individual Quarter</b>		<b>The Bank 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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	<b>3,252</b>	3,365	<b>3,252</b>	3,365
Money at call and deposit placements with financial institutions	<b>3,724</b>	681	<b>3,724</b>	681
Financial investments at FVOCI	<b>10,013</b>	14,897	<b>10,013</b>	14,897
Financial investments at amortised cost	<b>6,887</b>	6,370	<b>6,887</b>	6,370
Others	<b>3,855</b>	3,968	<b>3,855</b>	3,968
<b>Total interest income</b>	<b>27,731</b>	29,281	<b>27,731</b>	29,281

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**EXPLANATORY NOTES**

**20b. Interest income for financial assets at FVTPL**

	<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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial assets at FVTPL	<b>9,865</b>	13,190	<b>9,865</b>	13,190

**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>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</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	<b>5,517</b>	10,114	<b>5,517</b>	10,114
Deposits from customers	<b>17,278</b>	18,885	<b>17,278</b>	18,885
Derivative financial instruments	<b>3,928</b>	1,898	<b>3,928</b>	1,898
Subordinated obligations	<b>1,820</b>	673	<b>1,820</b>	673
Others	<b>296</b>	238	<b>296</b>	238
	<b>28,839</b>	31,808	<b>28,839</b>	31,808

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**EXPLANATORY NOTES**

**22. Non-interest income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2019 RM'000</b>	<b>Last year's quarter ended 30.09.2018 RM'000</b>	<b>Current year ended 30.09.2019 RM'000</b>	<b>Last year's ended 30.09.2018 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	1,381	723	1,381	723
Arranger fees	853	425	853	425
Placement fees	709	463	709	463
Brokerage income	12,492	14,359	12,492	14,359
Fees on loans and advances	77	38	77	38
Commission from future contracts	390	136	390	136
Other fee income	3,460	629	3,460	629
	<b>19,362</b>	<b>16,773</b>	<b>19,362</b>	<b>16,773</b>
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at FVTPL	4,944	(1,743)	4,944	(1,743)
- financial investments at FVOCI	10,265	2,399	10,265	2,399
- derivative financial instruments	13,655	(16,216)	13,655	(16,216)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at FVTPL	(2,086)	4,390	(2,086)	4,390
- derivative financial instruments	(6,484)	17,804	(6,484)	17,804
Dividend income from:				
- financial assets at FVTPL	516	936	516	936
	<b>20,810</b>	<b>7,570</b>	<b>20,810</b>	<b>7,570</b>
<u>Other income:</u>				
Foreign exchange (loss)/gain	(6,931)	1,219	(6,931)	1,219
Other non-operating income	9	5	9	5
	<b>(6,922)</b>	<b>1,224</b>	<b>(6,922)</b>	<b>1,224</b>
Total non-interest income	<b>33,250</b>	<b>25,567</b>	<b>33,250</b>	<b>25,567</b>

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

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2019 RM'000</b>	<b>Last year's quarter ended 30.09.2018 RM'000</b>	<b>Current year ended 30.09.2019 RM'000</b>	<b>Last year's ended 30.09.2018 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	<b>1,381</b>	723	<b>1,381</b>	723
Arranger fees	<b>853</b>	425	<b>853</b>	425
Placement fees	<b>709</b>	463	<b>709</b>	463
Brokerage income	<b>12,492</b>	14,359	<b>12,492</b>	14,359
Fees on loans and advances	<b>77</b>	38	<b>77</b>	38
Commission from future contracts	<b>390</b>	136	<b>390</b>	136
Other fee income	<b>3,406</b>	577	<b>3,406</b>	577
	<b>19,308</b>	16,721	<b>19,308</b>	16,721
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at FVTPL	<b>4,944</b>	(1,743)	<b>4,944</b>	(1,743)
- financial investments at FVOCI	<b>10,265</b>	2,399	<b>10,265</b>	2,399
- derivative financial instruments	<b>13,655</b>	(16,216)	<b>13,655</b>	(16,216)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at FVTPL	<b>(2,086)</b>	4,390	<b>(2,086)</b>	4,390
- derivative financial instruments	<b>(6,484)</b>	17,804	<b>(6,484)</b>	17,804
Dividend income from:				
- financial assets at FVTPL	<b>513</b>	933	<b>513</b>	933
	<b>20,807</b>	7,567	<b>20,807</b>	7,567
<u>Other income:</u>				
Foreign exchange (loss)/gain	<b>(6,931)</b>	1,219	<b>(6,931)</b>	1,219
Other non-operating income	<b>9</b>	5	<b>9</b>	5
	<b>(6,922)</b>	1,224	<b>(6,922)</b>	1,224
Total non-interest income	<b>33,193</b>	25,512	<b>33,193</b>	25,512

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**23. Overhead expenses**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2019 RM'000</b>	<b>Last year's quarter ended 30.09.2018 RM'000</b>	<b>Current year ended 30.09.2019 RM'000</b>	<b>Last year's ended 30.09.2018 RM'000</b>
Personnel expenses	<b>19,546</b>	11,953	<b>19,546</b>	11,953
Promotion and marketing related expenses	<b>331</b>	535	<b>331</b>	535
Establishment related expenses	<b>3,861</b>	4,037	<b>3,861</b>	4,037
General administrative expenses	<b>4,095</b>	4,068	<b>4,095</b>	4,068
	<b>27,833</b>	20,593	<b>27,833</b>	20,593
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>17,583</b>	10,061	<b>17,583</b>	10,061
Defined contribution plan	<b>1,651</b>	1,575	<b>1,651</b>	1,575
Other employee benefits	<b>312</b>	317	<b>312</b>	317
	<b>19,546</b>	11,953	<b>19,546</b>	11,953
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>1</b>	-	<b>1</b>	-
Entertainment and business improvement	<b>296</b>	500	<b>296</b>	500
Others	<b>34</b>	35	<b>34</b>	35
	<b>331</b>	535	<b>331</b>	535
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>680</b>	744	<b>680</b>	744
Amortisation of intangible assets	<b>341</b>	620	<b>341</b>	620
Depreciation of ROU assets	<b>875</b>	-	<b>875</b>	-
Rental expenses	<b>8</b>	1,053	<b>8</b>	1,053
Others	<b>1,957</b>	1,620	<b>1,957</b>	1,620
	<b>3,861</b>	4,037	<b>3,861</b>	4,037
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	<b>571</b>	643	<b>571</b>	643
Teletransmission expenses	<b>1,654</b>	1,248	<b>1,654</b>	1,248
Auditors' remuneration				
- Statutory audit fees	<b>61</b>	74	<b>61</b>	74
Legal and professional fees	<b>677</b>	927	<b>677</b>	927
Others	<b>1,132</b>	1,176	<b>1,132</b>	1,176
	<b>4,095</b>	4,068	<b>4,095</b>	4,068

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**23. Overhead expenses (continued)**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2019 RM'000</b>	<b>Last year's quarter ended 30.09.2018 RM'000</b>	<b>Current year ended 30.09.2019 RM'000</b>	<b>Last year's ended 30.09.2018 RM'000</b>
Personnel expenses	<b>19,513</b>	11,921	<b>19,513</b>	11,921
Promotion and marketing related expenses	<b>331</b>	535	<b>331</b>	535
Establishment related expenses	<b>3,852</b>	4,028	<b>3,852</b>	4,028
General administrative expenses	<b>4,090</b>	4,064	<b>4,090</b>	4,064
	<b>27,786</b>	20,548	<b>27,786</b>	20,548
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>17,555</b>	10,034	<b>17,555</b>	10,034
Defined contribution plan	<b>1,646</b>	1,575	<b>1,646</b>	1,575
Other employee benefits	<b>312</b>	312	<b>312</b>	312
	<b>19,513</b>	11,921	<b>19,513</b>	11,921
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>1</b>	-	<b>1</b>	-
Entertainment and business improvement	<b>296</b>	500	<b>296</b>	500
Others	<b>34</b>	35	<b>34</b>	35
	<b>331</b>	535	<b>331</b>	535
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>680</b>	744	<b>680</b>	744
Amortisation of intangible assets	<b>341</b>	620	<b>341</b>	620
Depreciation of ROU assets	<b>875</b>	-	<b>875</b>	-
Rental expenses	<b>8</b>	1,052	<b>8</b>	1,052
Others	<b>1,948</b>	1,612	<b>1,948</b>	1,612
	<b>3,852</b>	4,028	<b>3,852</b>	4,028
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	<b>570</b>	642	<b>570</b>	642
Teletransmission expenses	<b>1,654</b>	1,248	<b>1,654</b>	1,248
Auditors' remuneration				
- Statutory audit fees	<b>59</b>	72	<b>59</b>	72
Legal and professional fees	<b>675</b>	927	<b>675</b>	927
Others	<b>1,132</b>	1,175	<b>1,132</b>	1,175
	<b>4,090</b>	4,064	<b>4,090</b>	4,064



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**24. Allowance for credit impairment losses**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.09.2019 RM'000</b>	<b>Last year's quarter ended 30.09.2018 RM'000</b>	<b>Current year ended 30.09.2019 RM'000</b>	<b>Last year's ended 30.09.2018 RM'000</b>
Expected credit losses				
(a) Loans and advances	<b>(176)</b>	(30)	<b>(176)</b>	(30)
(b) Financial investments				
(i) Financial investments at FVOCI	<b>(41)</b>	(355)	<b>(41)</b>	(355)
(ii) Financial investments at amortised cost	<b>18</b>	(16)	<b>18</b>	(16)
	<b>(23)</b>	(371)	<b>(23)</b>	(371)
(c) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	<b>12</b>	(7)	<b>12</b>	(7)
- Impaired clients' and brokers' balances recovered	<b>38</b>	-	<b>38</b>	-
(ii) Deposits and placements with banks and other financial institutions	-	22	-	22
(iii) Securities purchased under resale agreements	-	2	-	2
(iv) Other assets	<b>(8)</b>	63	<b>(8)</b>	63
	<b>42</b>	80	<b>42</b>	80
	<b>(157)</b>	(321)	<b>(157)</b>	(321)

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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>30.09.2019</b>	<b>30.06.2019</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	-	18,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	30,000	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	772,743	750,103
	<b>803,743</b>	<b>769,963</b>
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	2,971,650	4,566,819
- Over one year to five years	3,088,770	3,367,720
- Over five years	245,000	245,000
Foreign exchange related contracts:		
- One year or less	1,752,631	2,484,022
Equity related contracts:		
- One year or less	16,858	36,152
	<b>8,074,909</b>	<b>10,699,713</b>
	<b>8,878,652</b>	<b>11,469,676</b>

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**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>30.09.2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at FVTPL	19,580	821,071	1,365	842,016
- Money market instruments	-	677,280	-	677,280
- Quoted securities	19,580	-	-	19,580
- Unquoted securities	-	143,791	1,365	145,156
Financial investments at FVOCI	-	1,122,150	-	1,122,150
- Money market instruments	-	290,598	-	290,598
- Unquoted securities	-	831,552	-	831,552
Derivative financial assets	-	27,041	-	27,041
	<b>19,580</b>	<b>1,970,262</b>	<b>1,365</b>	<b>1,991,207</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	39,765	-	39,765
<b>30.06.2019</b>				
<b>Financial assets</b>				
Financial assets at FVTPL	36,704	1,208,503	1,365	1,246,572
- Money market instruments	-	1,016,994	-	1,016,994
- Quoted securities	36,704	-	-	36,704
- Unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- Money market instruments	-	322,819	-	322,819
- Unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	<b>36,704</b>	<b>2,347,728</b>	<b>1,365</b>	<b>2,385,797</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	34,310	-	34,310

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**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>30.09.2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at FVTPL	19,238	821,071	1,365	841,674
- Money market instruments	-	677,280	-	677,280
- Quoted securities	19,238	-	-	19,238
- Unquoted securities	-	143,791	1,365	145,156
Financial investments at FVOCI	-	1,122,150	-	1,122,150
- Money market instruments	-	290,598	-	290,598
- Unquoted securities	-	831,552	-	831,552
Derivative financial assets	-	27,041	-	27,041
	<b>19,238</b>	<b>1,970,262</b>	<b>1,365</b>	<b>1,990,865</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	39,765	-	39,765
<b>30.06.2019</b>				
<b>Financial assets</b>				
Financial assets at FVTPL	36,340	1,208,503	1,365	1,246,208
- Money market instruments	-	1,016,994	-	1,016,994
- Quoted securities	36,340	-	-	36,340
- Unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- Money market instruments	-	322,819	-	322,819
- Unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	<b>36,340</b>	<b>2,347,728</b>	<b>1,365</b>	<b>2,385,433</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	34,310	-	34,310

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

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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>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets at FVTPL</b>		
At 1 July	1,365	1,380
Fair value changes recognised in income statement	-	(15)
At 30 September/30 June	<b>1,365</b>	<b>1,365</b>

**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>30.09.2019</b>	<b>30.06.2019</b>	<b>30.09.2019</b>	<b>30.06.2019</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>33.808%</b>	30.883%	<b>33.801%</b>	30.907%
Tier 1 capital ratio	<b>33.808%</b>	30.883%	<b>33.801%</b>	30.907%
Total capital ratio	<b>47.669%</b>	43.440%	<b>47.676%</b>	43.489%
<b>After deducting proposed dividends: <sup>(1)</sup></b>				
CET1 capital ratio	<b>31.317%</b>	28.623%	<b>31.308%</b>	28.642%
Tier 1 capital ratio	<b>31.317%</b>	28.623%	<b>31.308%</b>	28.642%
Total capital ratio	<b>45.178%</b>	41.180%	<b>45.182%</b>	41.224%

Note:

<sup>(1)</sup> Proposed dividends of RM28,000,005 (30.06.2019: RM28,000,005).

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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>30.09.2019</b>	<b>30.06.2019</b>	<b>30.09.2019</b>	<b>30.06.2019</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>238,190</b>	238,190	<b>237,920</b>	237,920
Other reserves	<b>6,258</b>	7,794	<b>6,258</b>	7,794
Less: goodwill and intangibles	<b>(30,812)</b>	(31,129)	<b>(30,812)</b>	(31,129)
Less: deferred tax assets	<b>(83,141)</b>	(80,926)	<b>(83,141)</b>	(80,926)
Less: investment in subsidiary companies	-	-	<b>(200)</b>	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	<b>(3,442)</b>	(4,287)	<b>(3,442)</b>	(4,287)
<b>Total CET1 Capital</b>	<b>380,003</b>	382,592	<b>379,533</b>	382,122
<b>Tier 1 Capital</b>	<b>380,003</b>	382,592	<b>379,533</b>	382,122
<b>Tier 2 Capital</b>				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves <sup>(2)</sup>	<b>5,792</b>	5,556	<b>5,792</b>	5,556
Subordinated obligations	<b>150,000</b>	150,000	<b>150,000</b>	150,000
<b>Total Tier 2 Capital</b>	<b>155,792</b>	155,556	<b>155,792</b>	155,556
<b>Total Capital</b>	<b>535,795</b>	538,148	<b>535,325</b>	537,678

Note:

<sup>(2)</sup> Includes the qualifying regulatory reserve for non-impaired loans and advances.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2019</b>	<b>30.06.2019</b>	<b>30.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>463,401</b>	445,803	<b>463,372</b>	444,468
Market risk	<b>387,466</b>	519,994	<b>386,782</b>	519,266
Operational risk	<b>273,129</b>	273,038	<b>272,684</b>	272,622
	<b>1,123,996</b>	1,238,835	<b>1,122,838</b>	1,236,356

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**29. Significant events during the financial quarter ended 30 September 2019**

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 2019 against the corresponding financial quarter**

For the current financial quarter ended 30 September 2019, the Group recorded a profit before tax of RM14.0 million, as compared to a RM15.3 million recorded in the corresponding financial quarter. The decrease in profit of RM1.3 million was primarily attributable to lower profit contribution from its Stockbroking Division.

**33. Prospects for 2020**

Moving into FY2020, the economic outlook is anticipated to improve with the resumption of mega infrastructure projects. Along with this positive development, the regulators have also been playing an active role together with the market participants to revive the vibrancy of the capital markets from product innovation, accessibility, technological advancement and governance perspective. Premised on this improving landscape, Debt Markets contribution in FY2020 is expected to be higher than FY2019 with new funding opportunities to be explored and the completion of the outstanding mandates carried forward from FY2019.

Corporate Finance saw strong demands for its two completed Main Market IPOs in FY2019 as evidenced by overwhelming subscriptions by both the institutional and retail investors, and expects the trend to continue into FY2020. The team will continue to keep abreast of developments of the medium sized companies, while at the same time, maintaining a keen focus on providing value-added corporate advisory services to clients. Corporate exercises that provide opportunity for multiple revenue streams via placement and underwriting activities will also remain as one of the key focus going forward.

Under Stockbroking business, as for Government-Linked Corporation business, we will continue to engage our customers to rebuild volume and we also plan to introduce Direct Market Access trading, which allows clients to trade electronically through HLIB. As for the Retail Business, the Bank will continue to invest and innovate in digitalisation efforts to build and strengthen market position.



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**EXPLANATORY NOTES**

**34. Changes in accounting policies**

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" ("ROU") of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in income statements.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Bank have adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Group and the Bank have applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Bank's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group and the Bank were ranging from 4.11% and 4.94% per annum.

(a) The table below summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
<b>The Group</b>			
ROU assets	-	24,739	24,739
Lease liabilities	-	24,258	24,258
Other liabilities	127,624	481	128,105
	<u>127,624</u>	<u>481</u>	<u>128,105</u>
<b>The Bank</b>			
ROU assets	-	24,739	24,739
Lease liabilities	-	24,258	24,258
Other liabilities	134,126	481	134,607
	<u>134,126</u>	<u>481</u>	<u>134,607</u>

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**EXPLANATORY NOTES**

**34. Changes in accounting policies**

(b) Operating lease commitment reconciliation

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	<b>The Group and the Bank RM'000</b>
Operating lease commitments disclosed as at 30 June 2019	<b>5,607</b>
Less: Discounted using the incremental borrowing	<b>(190)</b>
Less: Short-term leases recognised on a straight-line basis as expense	<b>(10)</b>
Less: Low-value leases recognised on a straight line basis as expense	<b>(72)</b>
Add: Adjustments as a result of a different treatment of extension and termination option	<b>18,923</b>
Lease liabilities recognised as at 1 July 2019	<b><u>24,258</u></b>