

**HONG LEONG INVESTMENT BANK BERHAD**  
*Registration No. 197001000928 (10209-W)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		272,603	450,062	271,013	443,459
Securities purchased under resale agreements		50,172	-	50,172	-
Financial assets at fair value through profit or loss ("FVTPL")	8	651,672	1,246,572	651,584	1,246,208
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,266,529	1,110,915	1,266,529	1,110,915
Financial investments at amortised cost	10	868,134	735,665	868,134	735,665
Derivative financial assets	17	54,957	28,310	54,957	28,310
Loans and advances	11	316,023	205,290	316,023	205,290
Clients' and brokers' balances	12	236,008	196,362	236,008	196,362
Other assets	13	37,667	47,472	37,660	47,459
Statutory deposits with Bank Negara Malaysia		-	37,259	-	37,259
Investment in subsidiaries		-	-	200	200
Deferred tax assets		85,925	80,926	85,925	80,926
Property and equipment	14	9,267	12,774	9,267	12,774
Right-of-use assets ("ROU")		19,486	-	19,486	-
Intangible assets - computer software		2,394	2,143	2,394	2,143
Goodwill		28,986	28,986	28,986	28,986
<b>TOTAL ASSETS</b>		<b>3,899,823</b>	<b>4,182,736</b>	<b>3,898,338</b>	<b>4,175,956</b>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	15	737,747	748,004	737,747	748,004
Deposits and placements of banks and other financial institutions	16	2,073,211	2,422,120	2,073,211	2,422,120
Derivative financial liabilities	17	81,620	34,310	81,620	34,310
Clients' and brokers' balances		218,257	183,123	218,257	183,123
Lease liabilities		18,184	-	18,184	-
Provision for tax		7	8	-	-
Other liabilities	18	116,341	134,126	114,938	127,624
Subordinated obligations	19	100,178	150,505	100,178	150,505
<b>TOTAL LIABILITIES</b>		<b>3,345,545</b>	<b>3,672,196</b>	<b>3,344,135</b>	<b>3,665,686</b>
<b>EQUITY</b>					
Share capital		252,950	252,950	252,950	252,950
Reserves		301,328	257,590	301,253	257,320
<b>TOTAL EQUITY</b>		<b>554,278</b>	<b>510,540</b>	<b>554,203</b>	<b>510,270</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,899,823</b>	<b>4,182,736</b>	<b>3,898,338</b>	<b>4,175,956</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	27	6,967,399	11,469,676	6,967,399	11,469,676
<b>Net assets per ordinary share (RM)</b>		<b>3.36</b>	<b>3.09</b>	<b>3.36</b>	<b>3.09</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**  
*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
		RM'000	RM'000	RM'000	RM'000
Interest income	20a	<b>28,745</b>	24,359	<b>110,585</b>	114,484
Interest income for financial assets at FVTPL	20b	<b>8,956</b>	13,632	<b>39,188</b>	48,190
Interest expense	21	<b>(23,032)</b>	(27,641)	<b>(104,256)</b>	(121,326)
Net interest income		<b>14,669</b>	10,350	<b>45,517</b>	41,348
Non-interest income	22	<b>38,764</b>	29,426	<b>124,375</b>	97,429
Net income		<b>53,433</b>	39,776	<b>169,892</b>	138,777
Overhead expenses	23	<b>(31,478)</b>	(26,575)	<b>(102,957)</b>	(90,945)
Operating profit before allowances		<b>21,955</b>	13,201	<b>66,935</b>	47,832
Write-back of/(allowance for) impairment losses on loans and advances	24	<b>1,675</b>	(176)	<b>(280)</b>	(170)
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	25	<b>(210)</b>	183	<b>(1,931)</b>	379
<b>Profit before taxation</b>		<b>23,420</b>	13,208	<b>64,724</b>	48,041
Taxation		<b>186</b>	(14,146)	<b>5,416</b>	(3,662)
<b>Net profit for the financial year</b>		<b>23,606</b>	(938)	<b>70,140</b>	44,379
Earnings per share (sen)					
- Basic		<b>14.3</b>	(0.6)	<b>42.5</b>	26.9
- Diluted		<b>14.3</b>	(0.6)	<b>42.5</b>	26.9

*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**

*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	<b>Individual Quarter</b>		<b>The Group</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Cumulative</b>	<b>Months Ended</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial year</b>	<b>23,606</b>	(938)	<b>70,140</b>	44,379
<b>Other comprehensive income/(expense):</b>				
Items that will not be reclassified subsequently to income statements				
Equity instruments at FVOCI				
- Net fair value changes	37	-	-	-
- Net gain on disposal	43	-	43	-
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	11,888	3,015	8,716	11,713
- Net (loss)/gain on disposal	(99)	827	(6,930)	455
- Net changes in expected credit losses	175	(59)	198	(62)
Income tax relating to net fair value changes on financial investments at FVOCI	(2,830)	(923)	(429)	(2,921)
<b>Other comprehensive income for the financial year, net of tax</b>	<b>9,214</b>	2,860	<b>1,598</b>	9,185
<b>Total comprehensive income for the financial year, net of tax</b>	<b>32,820</b>	1,922	<b>71,738</b>	53,564

*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**  
*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	20a	<b>28,732</b>	24,319	<b>110,516</b>	114,397
Interest income for financial assets at FVTPL	20b	<b>8,956</b>	13,632	<b>39,188</b>	48,190
Interest expense	21	<b>(23,032)</b>	(27,641)	<b>(104,256)</b>	(121,326)
Net interest income		<b>14,656</b>	10,310	<b>45,448</b>	41,261
Non-interest income	22	<b>38,692</b>	29,374	<b>124,459</b>	97,240
Net income		<b>53,348</b>	39,684	<b>169,907</b>	138,501
Overhead expenses	23	<b>(31,462)</b>	(26,527)	<b>(102,789)</b>	(90,729)
Operating profit before allowances		<b>21,886</b>	13,157	<b>67,118</b>	47,772
Write-back of/(allowance for) impairment losses on loans and advances	24	<b>1,675</b>	(176)	<b>(280)</b>	(170)
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	25	<b>(210)</b>	183	<b>(1,931)</b>	379
<b>Profit before taxation</b>		<b>23,351</b>	13,164	<b>64,907</b>	47,981
Taxation		<b>197</b>	(14,129)	<b>5,428</b>	(3,643)
<b>Net profit for the financial year</b>		<b>23,548</b>	(965)	<b>70,335</b>	44,338
Earnings per share (sen)					
- Basic		<b>14.3</b>	(0.6)	<b>42.6</b>	26.9
- Diluted		<b>14.3</b>	(0.6)	<b>42.6</b>	26.9

*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**  
*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	<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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial year</b>	<b>23,548</b>	(965)	<b>70,335</b>	44,338
<b>Other comprehensive income/(expense):</b>				
Items that will not be reclassified subsequently to income statements				
Equity instruments at FVOCI				
- Net fair value changes	37	-	-	-
- Net gain on disposal	43	-	43	-
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	11,888	3,015	8,716	11,713
- Net (loss)/gain on disposal	(99)	827	(6,930)	455
- Net changes in expected credit losses	175	(59)	198	(62)
Income tax relating to net fair value changes on financial investments at FVOCI	(2,830)	(923)	(429)	(2,921)
<b>Other comprehensive income for the financial year, net of tax</b>	<b>9,214</b>	2,860	<b>1,598</b>	9,185
<b>Total comprehensive income for the financial year, net of tax</b>	<b>32,762</b>	1,895	<b>71,933</b>	53,523

*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**  
*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	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>The Group</b>					
<b>At 1 July 2019</b>	252,950	11,606	7,794	238,190	510,540
Net profit for the financial year	-	-	-	70,140	70,140
Other comprehensive income, net of tax	-	-	1,555	43	1,598
Total comprehensive income for the financial year	-	-	1,555	70,183	71,738
Transfer to regulatory reserve	-	470	-	(470)	-
Dividend paid	-	-	-	(28,000)	(28,000)
<b>At 30 June 2020</b>	<b>252,950</b>	<b>12,076</b>	<b>9,349</b>	<b>279,903</b>	<b>554,278</b>
At 1 July 2018	252,950	12,743	(1,391)	238,174	502,476
Net profit for the financial year	-	-	-	44,379	44,379
Other comprehensive income, net of tax	-	-	9,185	-	9,185
Total comprehensive income for the financial period	-	-	9,185	44,379	53,564
Transfer from regulatory reserve	-	(1,137)	-	1,137	-
Dividend paid	-	-	-	(45,500)	(45,500)
<b>At 30 June 2019</b>	<b>252,950</b>	<b>11,606</b>	<b>7,794</b>	<b>238,190</b>	<b>510,540</b>

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**HONG LEONG INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	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 year	-	-	-	70,335	70,335
Other comprehensive income, net of tax	-	-	1,555	43	1,598
Total comprehensive income for the financial year	-	-	1,555	70,378	71,933
Transfer to regulatory reserve	-	470	-	(470)	-
Dividend paid	-	-	-	(28,000)	(28,000)
<b>At 30 June 2020</b>	<b>252,950</b>	<b>12,076</b>	<b>9,349</b>	<b>279,828</b>	<b>554,203</b>
At 1 July 2018	252,950	12,743	(1,391)	237,945	502,247
Net profit for the financial year	-	-	-	44,338	44,338
Other comprehensive income, net of tax	-	-	9,185	-	9,185
Total comprehensive income for the financial period	-	-	9,185	44,338	53,523
Transfer from regulatory reserve	-	(1,137)	-	1,137	-
Dividend paid	-	-	-	(45,500)	(45,500)
<b>At 30 June 2019</b>	<b>252,950</b>	<b>11,606</b>	<b>7,794</b>	<b>237,920</b>	<b>510,270</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**  
*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</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>64,724</b>	48,041	<b>64,907</b>	47,981
Adjustments for non-cash items	<b>(57,228)</b>	(132,371)	<b>(57,521)</b>	(132,360)
Operating profit/(loss) before changes in working capital	<b>7,496</b>	(84,330)	<b>7,386</b>	(84,379)
Changes in working capital:				
Net changes in operating assets	<b>434,944</b>	250,291	<b>434,663</b>	250,375
Net changes in operating liabilities	<b>(342,185)</b>	(118,685)	<b>(337,086)</b>	(125,216)
Net income tax paid	<b>(13)</b>	(14)	-	-
Net cash generated from operating activities	<b>100,242</b>	47,262	<b>104,963</b>	40,780
Net cash (used in)/generated from investing activities	<b>(190,214)</b>	294,985	<b>(189,922)</b>	294,974
Net cash (used in)/generated from financing activities	<b>(87,487)</b>	51,848	<b>(87,487)</b>	51,848
Net changes in cash and cash equivalents	<b>(177,459)</b>	394,095	<b>(172,446)</b>	387,602
Cash and cash equivalents at beginning of financial year	<b>450,062</b>	55,967	<b>443,459</b>	55,857
Cash and cash equivalents at end of financial year	<b>272,603</b>	450,062	<b>271,013</b>	443,459
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	<b>272,603</b>	450,062	<b>271,013</b>	443,459

*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.*



**EXPLANATORY NOTES**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 June 2020 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

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 35.

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 June 2020.

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**EXPLANATORY NOTES**

**5. Changes in estimates**

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 30 June 2020.

**6. Issuance and repayments**

Save as detailed below, there were no other new shares issuance, no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 June 2020.

**7. Dividends**

There were no dividends paid during the financial quarter ended 30 June 2020.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</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	-	20,806	-	20,806
Negotiable instruments of deposits	<b>588,325</b>	991,171	<b>588,325</b>	991,171
Cagamas bonds	-	5,017	-	5,017
	<b>588,325</b>	1,016,994	<b>588,325</b>	1,016,994
<b>Quoted securities</b>				
In Malaysia:				
Shares	<b>18,033</b>	36,340	<b>18,033</b>	36,340
Unit trust investment	<b>88</b>	364	-	-
	<b>18,121</b>	36,704	<b>18,033</b>	36,340
<b>Unquoted securities</b>				
Shares	<b>1,432</b>	1,365	<b>1,432</b>	1,365
Corporate bond and/or sukuk	<b>43,794</b>	191,509	<b>43,794</b>	191,509
	<b>45,226</b>	192,874	<b>45,226</b>	192,874
	<b>651,672</b>	1,246,572	<b>651,584</b>	1,246,208

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	41,229	235,724
Malaysian Government Investment Issues	52,982	31,073
Cagamas bonds	30,358	56,022
	<b>124,569</b>	<b>322,819</b>
<b>Unquoted securities</b>		
Foreign currency bonds	72,260	111,351
Corporate bond and/or sukuk	1,069,700	676,745
	<b>1,141,960</b>	<b>788,096</b>
	<b>1,266,529</b>	<b>1,110,915</b>

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

	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL	not credit	credit	
	(Stage 1)	impaired	impaired	
<b>The Group and the Bank</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2019	143	-	-	143
Allowances made	7	-	-	7
Amount written back	(25)	-	-	(25)
New financial assets originated or purchased	347	-	-	347
Financial assets derecognised	(98)	-	-	(98)
Exchange differences	(33)	-	-	(33)
At 30 June 2020	<b>341</b>	<b>-</b>	<b>-</b>	<b>341</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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**10. Financial investments at amortised cost**

	<b>The Group and the Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	291,869	157,905
Malaysian Government Investment Issues	534,018	478,451
	<b>825,887</b>	<b>636,356</b>
<b>Unquoted securities</b>		
Foreign currency bonds	16,964	53,810
Corporate bond and/or sukuk	25,298	45,535
	<b>42,262</b>	<b>99,345</b>
Less: Expected credit losses	(15)	(36)
	<b>868,134</b>	<b>735,665</b>

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

	<b>12 Months</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total ECL</b>
	<b>ECL</b>	<b>not credit</b>	<b>credit</b>	
	<b>(Stage 1)</b>	<b>(Stage 2)</b>	<b>(Stage 3)</b>	<b>RM'000</b>
<b>The Group and the Bank</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2019	36	-	-	36
Financial assets derecognised	(22)	-	-	(22)
Exchange differences	1	-	-	1
At 30 June 2020	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</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>-</b>	<b>-</b>	<b>36</b>

**11. Loans and advances**

	<b>The Group and the Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan financing	93,935	19,862
Share margin financing	225,398	188,217
Staff loans	44	51
Other loans	281	515
Gross loans and advances	<b>319,658</b>	<b>208,645</b>
Less: Expected credit losses	<b>(3,635)</b>	<b>(3,355)</b>
Total net loans and advances	<b>316,023</b>	<b>205,290</b>

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

	<b>The Group and the Bank</b>	
	<b>30.06.2020</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	57,941	509
- Others	124,759	71,282
Individuals	133,221	128,253
Foreign entities	3,737	8,601
	<b>319,658</b>	<b>208,645</b>
<b>(ii) Gross loans and advances analysed by interest rate sensitivity</b>		
Variable rate	319,333	208,079
Fixed rate		
- Staff housing loans	44	51
- Other fixed rate loans	281	515
	<b>319,658</b>	<b>208,645</b>
<b>(iii) Gross loans and advances analysed by residual contractual maturity</b>		
Maturing within one year	265,733	202,210
One year to three years	48,006	6,384
Three years to five years	44	-
Over five years	5,875	51
	<b>319,658</b>	<b>208,645</b>
<b>(iv) Loans and advances analysed by their economic purposes</b>		
Working capital	53,882	6,384
Purchase of securities	265,451	201,696
Purchase of transport vehicles	126	126
Purchase of landed properties	199	439
	<b>319,658</b>	<b>208,645</b>
<b>(v) Gross loans and advances analysed by geographical distribution</b>		
Malaysia	<b>319,658</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	34,066	25
Amount written-back during the financial year	(34,442)	-
At 30 June	<b>6,522</b>	<b>6,898</b>

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2020</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	155	388
Purchase of securities	366	-
Working capital	5,875	6,384
	<b>6,522</b>	<b>6,898</b>

**(vii) Movements in 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	6	(6)	-	-
Transferred to Stage 2	(6)	6	-	-
Transferred to Stage 3	(11)	-	11	-
New financial assets originated	602	-	2,657	3,259
Financial assets derecognised	(2)	-	(3,088)	(3,090)
Allowance made	137	1	1,839	1,977
Allowance written-back	(210)	(1)	(1,655)	(1,866)
At 30 June 2020	<b>656</b>	<b>1</b>	<b>2,978</b>	<b>3,635</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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**12. Clients' and brokers' balances**

	<b>The Group and the Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	234,383	195,980
Impaired accounts	3,651	602
	<b>238,034</b>	196,582
Less: Expected credit losses	(2,026)	(220)
	<b>236,008</b>	196,362

**13. Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</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	130	133	130	133
Amount due from related companies	-	474	-	474
Deposits and prepayments	12,652	8,105	12,645	8,105
Fee income receivables	6,175	8,883	6,175	8,883
Collaterals pledged for derivative transactions	17,673	7,417	17,673	7,417
Treasury related receivables	-	19,185	-	19,185
Other receivables	2,465	4,645	2,465	4,632
	<b>39,095</b>	48,842	<b>39,088</b>	48,829
Less: Expected credit losses	(1,428)	(1,370)	(1,428)	(1,370)
	<b>37,667</b>	47,472	<b>37,660</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>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	<b>737,747</b>	748,004
 (i) The deposits are sourced from the following customers:		
Government & statutory bodies	<b>515,109</b>	525,319
Business enterprises	<b>207,466</b>	180,092
Individuals	<b>15,172</b>	42,593
	<b>737,747</b>	748,004
 (ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	<b>720,239</b>	748,004
- six months to one year	<b>17,508</b>	-
	<b>737,747</b>	748,004

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

	<b>The Group and the Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>228,601</b>	319,492
Licensed investment banks	<b>75,304</b>	130,032
Other financial institutions	<b>1,769,306</b>	1,972,596
	<b>2,073,211</b>	2,422,120



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**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>30.06.2020</b>			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- interest rate swaps	4,350,000	47,834	(74,171)
- cross currency swaps	85,700	557	-
(ii) Foreign exchange related contracts:			
- foreign currency swaps	1,225,578	6,086	(4,567)
- foreign currency forwards	258,331	480	(372)
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(2,510)
	<b>5,989,609</b>	<b>54,957</b>	<b>(81,620)</b>
<b>30.06.2019</b>			
Derivatives at FVTPL:			
(i) 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	-
(ii) Foreign exchange related contracts:			
- foreign currency swaps	2,313,381	8,731	(4,228)
- foreign currency forwards	170,641	48	(519)
(iii) 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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</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 related companies	14	-	14	-
Remisiers' trust deposits	13,465	13,011	13,465	13,011
Treasury related payables	40,099	20,624	40,099	20,624
Advance payments received for corporate exercise	248	66,015	248	66,015
Other payables and accrued liabilities	62,300	34,264	60,897	27,762
Provision for post employment benefits	215	212	215	212
	<b>116,341</b>	134,126	<b>114,938</b>	127,624

**19. Subordinated obligations**

	<b>The Group and the Bank</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
RM100.0 million Tier 2 subordinated notes, at par	100,000	150,000
Add: Interest payable	185	603
	<b>100,185</b>	150,603
Less: Unamortised discounts	(7)	(98)
	<b>100,178</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.

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.

On 6 November 2019, HLIB had fully redeemed the first issuance of RM50.0 million nominal value of this Sub Notes.

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**EXPLANATORY NOTES**

**20a. 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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	<b>3,065</b>	3,346	<b>14,012</b>	13,752
Money at call and deposit placements with financial institutions	<b>2,059</b>	1,367	<b>8,803</b>	3,426
Financial investments at FVOCI	<b>9,461</b>	9,232	<b>40,309</b>	55,905
Financial investments at amortised cost	<b>7,944</b>	6,985	<b>29,261</b>	27,058
Others	<b>6,216</b>	3,429	<b>18,200</b>	14,343
<b>Total interest income</b>	<b>28,745</b>	24,359	<b>110,585</b>	114,484

  

	<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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	<b>3,065</b>	3,346	<b>14,012</b>	13,752
Money at call and deposit placements with financial institutions	<b>2,046</b>	1,327	<b>8,734</b>	3,339
Financial investments at FVOCI	<b>9,461</b>	9,232	<b>40,309</b>	55,905
Financial investments at amortised cost	<b>7,944</b>	6,985	<b>29,261</b>	27,058
Others	<b>6,216</b>	3,429	<b>18,200</b>	14,343
<b>Total interest income</b>	<b>28,732</b>	24,319	<b>110,516</b>	114,397

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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 quarter ended 30.06.2020 RM'000</b>	<b>Last year's quarter ended 30.06.2019 RM'000</b>	<b>Current year ended 30.06.2020 RM'000</b>	<b>Last year's ended 30.06.2019 RM'000</b>
Financial assets at FVTPL	<b>8,956</b>	13,632	<b>39,188</b>	48,190

**21. Interest expense**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2020 RM'000</b>	<b>Last year's quarter ended 30.06.2019 RM'000</b>	<b>Current year ended 30.06.2020 RM'000</b>	<b>Last year's ended 30.06.2019 RM'000</b>
Deposits and placements of banks and other financial institutions	<b>3,654</b>	5,304	<b>19,259</b>	32,567
Deposits from customers	<b>11,146</b>	18,478	<b>60,027</b>	76,882
Derivative financial instruments	<b>7,054</b>	2,640	<b>18,655</b>	8,376
Subordinated obligations	<b>1,054</b>	863	<b>5,262</b>	2,867
Others	<b>124</b>	356	<b>1,053</b>	634
	<b>23,032</b>	27,641	<b>104,256</b>	121,326

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**22. Non-interest income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2020 RM'000</b>	<b>Last year's quarter ended 30.06.2019 RM'000</b>	<b>Current year ended 30.06.2020 RM'000</b>	<b>Last year's ended 30.06.2019 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	594	1,508	3,385	5,052
Arranger fees	513	1,778	3,365	4,363
Underwriting commissions	-	1,006	188	2,629
Placement fees	72	5,477	8,353	8,426
Brokerage income	28,409	12,831	76,541	52,457
Fees on loans and advances	39	18	925	118
Commission from future contracts	302	160	1,611	731
Other fee income	1,055	1,028	8,865	4,115
	<b>30,984</b>	<b>23,806</b>	<b>103,233</b>	<b>77,891</b>
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
- financial assets at FVTPL	(7,882)	4,691	3,908	5,739
- financial investments at FVOCI	4,070	5,906	26,819	14,758
- derivative financial instruments	(8,483)	(6,433)	39,562	(35,915)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	12,169	(2,573)	(133)	6,420
- derivative financial instruments	6,063	(2,249)	(17,758)	9,790
Dividend income from:				
- financial assets at FVTPL	518	319	1,523	1,940
Net unrealised loss on fair value changes arising from fair value hedges				
	(558)	-	(558)	-
	<b>5,897</b>	<b>(339)</b>	<b>53,363</b>	<b>2,732</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	-	-	-	29
Foreign exchange gain/(loss)	1,880	5,949	(32,245)	16,750
Other non-operating income	3	10	24	27
	<b>1,883</b>	<b>5,959</b>	<b>(32,221)</b>	<b>16,806</b>
Total non-interest income	<b>38,764</b>	<b>29,426</b>	<b>124,375</b>	<b>97,429</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 30.06.2020 RM'000</b>	<b>Last year's quarter ended 30.06.2019 RM'000</b>	<b>Current year ended 30.06.2020 RM'000</b>	<b>Last year's ended 30.06.2019 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	594	1,508	3,385	5,052
Arranger fees	513	1,778	3,365	4,363
Underwriting commissions	-	1,006	188	2,629
Placement fees	72	5,477	8,353	8,426
Brokerage income	28,409	12,831	76,541	52,457
Fees on loans and advances	39	18	925	118
Commission from future contracts	302	160	1,611	731
Other fee income	983	979	8,657	3,937
	<b>30,912</b>	<b>23,757</b>	<b>103,025</b>	<b>77,713</b>
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
- financial assets at FVTPL	(7,883)	4,691	3,907	5,739
- financial investments at FVOCI	4,070	5,906	26,819	14,758
- derivative financial instruments	(8,483)	(6,433)	39,562	(35,915)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	12,170	(2,573)	(132)	6,420
- derivative financial instruments	6,063	(2,249)	(17,758)	9,790
Dividend income from:				
- financial assets at FVTPL	518	316	1,515	1,929
- subsidiaries	-	-	300	-
Net unrealised loss on fair value changes arising from fair value hedges				
	(558)	-	(558)	-
	<b>5,897</b>	<b>(342)</b>	<b>53,655</b>	<b>2,721</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	-	-	-	29
Foreign exchange gain/(loss)	1,880	5,949	(32,245)	16,750
Other non-operating income	3	10	24	27
	<b>1,883</b>	<b>5,959</b>	<b>(32,221)</b>	<b>16,806</b>
Total non-interest income	<b>38,692</b>	<b>29,374</b>	<b>124,459</b>	<b>97,240</b>

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**23. Overhead expenses**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2020 RM'000</b>	<b>Last year's quarter ended 30.06.2019 RM'000</b>	<b>Current year ended 30.06.2020 RM'000</b>	<b>Last year's ended 30.06.2019 RM'000</b>
Personnel expenses	<b>23,129</b>	15,069	<b>69,654</b>	53,891
Promotion and marketing related expenses	<b>30</b>	505	<b>1,122</b>	2,209
Establishment related expenses	<b>3,450</b>	3,918	<b>13,939</b>	15,718
General administrative expenses	<b>4,869</b>	7,083	<b>18,242</b>	19,127
	<b>31,478</b>	26,575	<b>102,957</b>	90,945
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>21,747</b>	12,923	<b>62,228</b>	45,651
Defined contribution plan	<b>1,668</b>	1,666	<b>6,596</b>	6,494
Other employee benefits	<b>(286)</b>	480	<b>830</b>	1,746
	<b>23,129</b>	15,069	<b>69,654</b>	53,891
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>-</b>	-	<b>22</b>	39
Entertainment and business improvement	<b>27</b>	478	<b>968</b>	1,900
Others	<b>3</b>	27	<b>132</b>	270
	<b>30</b>	505	<b>1,122</b>	2,209
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>633</b>	668	<b>2,653</b>	2,646
Amortisation of intangible assets	<b>313</b>	424	<b>1,327</b>	2,288
Depreciation of ROU assets	<b>820</b>	-	<b>3,436</b>	-
Rental expenses	<b>9</b>	981	<b>78</b>	3,998
Others	<b>1,675</b>	1,845	<b>6,445</b>	6,786
	<b>3,450</b>	3,918	<b>13,939</b>	15,718
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	<b>926</b>	628	<b>2,944</b>	2,298
Teletransmission expenses	<b>1,797</b>	1,832	<b>7,165</b>	5,803
Auditors' remuneration				
- Statutory audit fees	<b>30</b>	212	<b>253</b>	412
- Regulatory related fees	<b>23</b>	23	<b>23</b>	23
- Tax compliance fee	<b>15</b>	15	<b>15</b>	15
- Other fees	<b>20</b>	-	<b>20</b>	-
Legal and professional fees	<b>1,022</b>	3,341	<b>3,930</b>	5,887
Property and equipment written off	<b>-</b>	829	<b>-</b>	942
Others	<b>1,036</b>	203	<b>3,892</b>	3,747
	<b>4,869</b>	7,083	<b>18,242</b>	19,127

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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 30.06.2020 RM'000</b>	<b>Last year's quarter ended 30.06.2019 RM'000</b>	<b>Current year ended 30.06.2020 RM'000</b>	<b>Last year's ended 30.06.2019 RM'000</b>
Personnel expenses	<b>23,108</b>	15,037	<b>69,534</b>	53,763
Promotion and marketing related expenses	<b>30</b>	505	<b>1,122</b>	2,209
Establishment related expenses	<b>3,461</b>	3,908	<b>13,911</b>	15,670
General administrative expenses	<b>4,863</b>	7,077	<b>18,222</b>	19,087
	<b>31,462</b>	26,527	<b>102,789</b>	90,729
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>21,729</b>	12,895	<b>62,126</b>	45,542
Defined contribution plan	<b>1,665</b>	1,661	<b>6,578</b>	6,475
Other employee benefits	<b>(286)</b>	481	<b>830</b>	1,746
	<b>23,108</b>	15,037	<b>69,534</b>	53,763
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>-</b>	-	<b>22</b>	39
Entertainment and business improvement	<b>27</b>	478	<b>968</b>	1,900
Others	<b>3</b>	27	<b>132</b>	270
	<b>30</b>	505	<b>1,122</b>	2,209
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>633</b>	668	<b>2,653</b>	2,646
Amortisation of intangible assets	<b>313</b>	424	<b>1,327</b>	2,288
Depreciation of ROU assets	<b>820</b>	-	<b>3,436</b>	-
Rental expenses	<b>17</b>	973	<b>62</b>	3,966
Others	<b>1,678</b>	1,843	<b>6,433</b>	6,770
	<b>3,461</b>	3,908	<b>13,911</b>	15,670
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	<b>914</b>	627	<b>2,940</b>	2,296
Teletransmission expenses	<b>1,797</b>	1,832	<b>7,165</b>	5,803
Auditors' remuneration				
- Statutory audit fees	<b>28</b>	210	<b>245</b>	405
- Regulatory related fees	<b>23</b>	23	<b>23</b>	23
- Tax compliance fee	<b>15</b>	15	<b>15</b>	15
- Other fees	<b>20</b>	-	<b>20</b>	-
Legal and professional fees	<b>1,020</b>	3,339	<b>3,923</b>	5,860
Property and equipment written off	<b>-</b>	829	<b>-</b>	942
Others	<b>1,046</b>	202	<b>3,891</b>	3,743
	<b>4,863</b>	7,077	<b>18,222</b>	19,087



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**EXPLANATORY NOTES**

**24. Write-back of/(allowance for) for impairment losses on loans and advances**

	<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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Expected credit losses				
(i) Loans and advances	1,294	(176)	(280)	(170)
(ii) Loans and advances commitments	381	-	-	-
	<b>1,675</b>	<b>(176)</b>	<b>(280)</b>	<b>(170)</b>

**25. (Allowance for)/write-back of impairment losses on financial investments and other financial assets**

	<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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Financial investments				
(i) Financial investments at FVOCI	(175)	59	(198)	62
(ii) Financial investments at amortised cost	-	2	21	(12)
	<b>(175)</b>	<b>61</b>	<b>(177)</b>	<b>50</b>
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	(82)	98	(1,806)	149
- Impaired clients' and brokers' balances recovered	47	4	110	51
(ii) Deposits and placements with banks and other financial institutions	-	-	-	22
(iii) Securities purchased under resale agreements	-	-	-	2
(iv) Other assets	-	20	(58)	105
	<b>(35)</b>	<b>122</b>	<b>(1,754)</b>	<b>329</b>
	<b>(210)</b>	<b>183</b>	<b>(1,931)</b>	<b>379</b>

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**EXPLANATORY NOTES**

**26. Related party transactions**

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

**Credit transactions and exposure with connected parties**

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

	<b><u>The Group and the Bank</u></b>	
	<b><u>30.06.2020</u></b>	<b><u>30.06.2019</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	5,723	8,929
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	3.17%	3.46%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<b>0.00%</b>	0.00%

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**27. 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>30.06.2020</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	<b>1,000</b>	1,000
Obligations under underwriting agreement	-	18,860
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	<b>52,352</b>	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	<b>30,000</b>	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	<b>894,438</b>	750,103
	<b>977,790</b>	769,963
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	<b>1,365,000</b>	4,566,819
- Over one year to five years	<b>3,030,700</b>	3,367,720
- Over five years	<b>110,000</b>	245,000
Foreign exchange related contracts:		
- One year or less	<b>1,483,909</b>	2,484,022
Equity related contracts:		
- One year or less	-	36,152
	<b>5,989,609</b>	10,699,713
	<b>6,967,399</b>	11,469,676

**EXPLANATORY NOTES**

**28. 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**

**28. 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>30.06.2020</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	18,121	632,119	1,432	651,672
- Money market instruments	-	588,325	-	588,325
- Quoted securities	18,121	-	-	18,121
- Unquoted securities	-	43,794	1,432	45,226
Financial investments at FVOCI	-	1,266,529	-	1,266,529
- Money market instruments	-	124,569	-	124,569
- Quoted securities	-	-	-	-
- Unquoted securities	-	1,141,960	-	1,141,960
Derivative financial assets	-	54,957	-	54,957
	<b>18,121</b>	<b>1,953,605</b>	<b>1,432</b>	<b>1,973,158</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	81,620	-	81,620
<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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**28. 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>30.06.2020</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	18,033	632,119	1,432	651,584
- Money market instruments	-	588,325	-	588,325
- Quoted securities	18,033	-	-	18,033
- Unquoted securities	-	43,794	1,432	45,226
Financial investments at FVOCI	-	1,266,529	-	1,266,529
- Money market instruments	-	124,569	-	124,569
- Quoted securities	-	-	-	-
- Unquoted securities	-	1,141,960	-	1,141,960
Derivative financial assets	-	54,957	-	54,957
	<b>18,033</b>	<b>1,953,605</b>	<b>1,432</b>	<b>1,973,070</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	81,620	-	81,620
<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**

**28. 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>30.06.2020</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	67	(15)
At 30 June	<b>1,432</b>	<b>1,365</b>

**29. 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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</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>42.121%</b>	30.883%	<b>42.128%</b>	30.907%
Tier 1 capital ratio	<b>42.121%</b>	30.883%	<b>42.128%</b>	30.907%
Total capital ratio	<b>52.751%</b>	43.440%	<b>52.768%</b>	43.489%
<b>After deducting proposed dividends:</b> <sup>(1)</sup>				
CET1 capital ratio	<b>35.498%</b>	28.623%	<b>35.500%</b>	28.642%
Tier 1 capital ratio	<b>35.498%</b>	28.623%	<b>35.500%</b>	28.642%
Total capital ratio	<b>46.129%</b>	41.180%	<b>46.139%</b>	41.224%

Note:

<sup>(1)</sup> Proposed dividends of RM66,000,000 (30.06.2019: RM28,000,005).

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**EXPLANATORY NOTES**

**29. 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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</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>279,903</b>	238,190	<b>279,828</b>	237,920
Other reserves	<b>9,349</b>	7,794	<b>9,349</b>	7,794
Less: goodwill and intangibles	<b>(31,380)</b>	(31,129)	<b>(31,380)</b>	(31,129)
Less: deferred tax assets	<b>(85,925)</b>	(80,926)	<b>(85,925)</b>	(80,926)
Less: investment in subsidiary companies	-	-	<b>(200)</b>	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	<b>(5,142)</b>	(4,287)	<b>(5,142)</b>	(4,287)
<b>Total CET1 Capital</b>	<b>419,755</b>	382,592	<b>419,480</b>	382,122
<b>Tier 1 Capital</b>	<b>419,755</b>	382,592	<b>419,480</b>	382,122
<b>Tier 2 Capital</b>				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves <sup>(2)</sup>	<b>5,940</b>	5,556	<b>5,940</b>	5,556
Subordinated obligations	<b>100,000</b>	150,000	<b>100,000</b>	150,000
<b>Total Tier 2 Capital</b>	<b>105,940</b>	155,556	<b>105,940</b>	155,556
<b>Total Capital</b>	<b>525,695</b>	538,148	<b>525,420</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>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</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>476,447</b>	445,803	<b>476,122</b>	444,468
Market risk	<b>257,343</b>	519,994	<b>257,167</b>	519,266
Operational risk	<b>262,761</b>	273,038	<b>262,434</b>	272,622
	<b>996,551</b>	1,238,835	<b>995,723</b>	1,236,356



**EXPLANATORY NOTES**

**30. Significant events during the financial quarter ended 30 June 2020**

COVID-19 pandemic

Due to a significant worsening of the macro-economic outlook as a result of the COVID-19 situation, both domestically and globally, and a potential impact of second wave of pandemic, the Group and the Bank, based on preliminary assessment, expect that the current situation to have impact on the Group and the Bank's Investment Banking's earnings for the coming year.

As the current situation is unprecedented, and it is difficult to predict the economic impact, the Group and the Bank will continue monitoring the situation closely and continue to assess the impact on the Group and the Bank's earnings as the situation develops.

**31. Changes in the composition of the Group**

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

**32. 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.

**33. Review of performance for the financial quarter ended 30 June 2020 against the corresponding financial quarter**

For the current financial quarter ended 30 June 2020, the Group recorded a profit before tax of RM23.4 million, as compared to a RM13.2 million recorded in the corresponding financial quarter. The increase in profit of RM10.2 million was primarily attributable to higher profit contribution from its Stockbroking Division.

**34. Prospects for 2021**

Looking forward into the new financial year, the economic slowdown caused by the Covid-19 pandemic will certainly weigh down business activities. Capital raising activities will very much depend on the pace of public and private investments. This will, in turn, impact investment banking activities particularly in relation to fund raising activities. However, we are cautiously optimistic that, given the current low interest environment, more corporates will be encouraged to undertake debt refinancing exercises. In addition, we are expecting the low interest rate regime to be conducive and facilitative towards capital investments by sectors that are relatively less affected by the pandemic.

Given that this pandemic is unprecedented and global in scale, it will be difficult to fully and accurately predict its impact on our businesses. Nevertheless, the Group will continue to monitor the situation closely and we will continue to assess the impact to the Group's earnings and readjust our business strategies, if necessary, over time.

**EXPLANATORY NOTES**

**35. Changes in accounting policies**

**Adoption of MFRS 16 'Leases'**

During the financial year, the Group and the Bank have adopted MFRS 16. The Group and the Bank have elected to use simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Bank are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

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 lessee's incremental borrowing

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is as follows:

	%
• within one year	3.83
• within one to two years	3.97
• within two to three years	4.11

The associated right-of-use ('ROU') assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

For leases previously classified as finance leases, the Group and the Bank recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU assets and the lease liability at the DIA. The measurement principles of MFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related ROU assets immediately after the DIA.

In applying MFRS 16 for the first time, the Group and the Bank have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU assets at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the

As at 1 July 2019, the change in accounting policies has affected the following items:

- The Group's and the Bank's ROU assets and lease liabilities increased by RM22,922,000 and RM21,132,000 respectively
- Deferred tax assets and liabilities increased by RM5,072,000

No impact on retained earnings on 1 July 2019.

**HONG LEONG INVESTMENT BANK BERHAD**  
*Registration No. 197001000928 (10209-W)*

**EXPLANATORY NOTES**

**35. Changes in accounting policies** (continued)

**Adoption of MFRS 16 ‘Leases’** (continued)

Reconciliation between the MFRS 117 operating lease commitments to MFRS 16

<b>Description</b>	<b>The Group and the Bank RM'000</b>
Operating lease commitments disclosed as at 30 June 2019	5,607
Less: Discounted using the incremental borrowing rate at the date of initial application	(345)
Less: Short-term leases recognised on a straight-line basis as expense	(10)
Less: Low-value leases recognised on a straight line basis as expense	(73)
Add: Adjustments as a result of a different treatment of extension and termination options	<u>15,953</u>
Lease liabilities recognised as at 1 July 2019	<u><u>21,132</u></u>