

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

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		206,739	230,436	206,669	228,694
Securities purchased under resale agreements		35,123	-	35,123	-
Deposits and placements with banks and other financial institutions		-	40,359	-	40,359
Financial assets at fair value through profit or loss	8	1,080,680	1,416,719	1,080,680	1,416,719
Financial investments available-for-sale	9	973,149	865,113	972,915	864,761
Financial investments held-to-maturity	10	909,215	528,100	909,215	528,100
Derivative financial assets	17	19,916	42,694	19,916	42,694
Loans and advances	11	236,592	372,162	236,592	372,162
Clients' and brokers' balances	12	267,774	192,239	267,774	192,239
Other assets	13	48,021	45,679	48,020	45,674
Statutory deposits with Bank Negara Malaysia		58,100	32,400	58,100	32,400
Investment in subsidiaries		-	-	200	361
Deferred tax assets		90,153	91,882	90,153	91,882
Property and equipment		4,755	5,551	4,755	5,551
Intangible assets - computer software		4,810	5,393	4,810	5,393
Goodwill		28,986	28,986	28,986	28,986
<b>TOTAL ASSETS</b>		<b>3,964,013</b>	<b>3,897,713</b>	<b>3,963,908</b>	<b>3,895,975</b>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	15	648,867	1,031,929	648,867	1,031,929
Deposits and placements of banks and other financial institutions	16	2,247,733	1,904,770	2,247,733	1,904,770
Obligations on securities sold under repurchase agreements		149,111	-	149,111	-
Derivative financial liabilities	17	47,959	80,685	47,959	80,685
Clients' and brokers' balances		220,494	241,167	220,494	241,167
Other liabilities	18	95,599	93,264	95,678	91,803
Subordinated obligations	19	50,262	50,247	50,262	50,247
<b>TOTAL LIABILITIES</b>		<b>3,460,025</b>	<b>3,402,062</b>	<b>3,460,104</b>	<b>3,400,601</b>
<b>EQUITY</b>					
Share capital		252,950	165,000	252,950	165,000
Reserves		251,038	330,651	250,854	330,374
<b>TOTAL EQUITY</b>		<b>503,988</b>	<b>495,651</b>	<b>503,804</b>	<b>495,374</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,964,013</b>	<b>3,897,713</b>	<b>3,963,908</b>	<b>3,895,975</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	26	7,931,230	8,731,501	7,931,230	8,731,501
<b>Net assets per ordinary share (RM)</b>		<b>3.05</b>	<b>3.00</b>	<b>3.05</b>	<b>3.00</b>

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Note	<b>The Group</b>			
		<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
		<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
		<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
		<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	20	<b>38,310</b>	34,235	<b>148,651</b>	126,930
Interest expense	21	<b>(27,505)</b>	(22,335)	<b>(105,859)</b>	(85,109)
Net interest income		<b>10,805</b>	11,900	<b>42,792</b>	41,821
Non-interest income	22	<b>30,177</b>	26,610	<b>121,017</b>	103,214
Net income		<b>40,982</b>	38,510	<b>163,809</b>	145,035
Overhead expenses	23	<b>(26,768)</b>	(24,826)	<b>(95,853)</b>	(87,473)
Net operating profit		<b>14,214</b>	13,684	<b>67,956</b>	57,562
(Allowance for)/write-back of impairment losses on loans and advances and other losses	24	<b>(41)</b>	(240)	<b>(68)</b>	68
<b>Profit before taxation</b>		<b>14,173</b>	13,444	<b>67,888</b>	57,630
Taxation		<b>(8,085)</b>	(8,573)	<b>(3,054)</b>	(1,904)
<b>Net profit for the financial year</b>		<b>6,088</b>	4,871	<b>64,834</b>	55,726
Earnings per share (sen)					
- Basic		<b>3.7</b>	3.0	<b>39.3</b>	33.8
- Diluted		<b>3.7</b>	3.0	<b>39.3</b>	33.8

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*

**HONG LEONG INVESTMENT BANK BERHAD**

(Company No: 10209-W)

**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Individual Quarter		The Group Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the financial year</b>	<b>6,088</b>	4,871	<b>64,834</b>	55,726
<b>Other comprehensive income/(expense):</b>				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale	<b>1,657</b>	2,669	<b>(665)</b>	5,569
- Net transfer to income statements on disposal of financial investments available-for-sale	<b>(1,579)</b>	(152)	<b>(4,857)</b>	(491)
Income tax relating to net fair value changes on financial investments available-for-sale	<b>(18)</b>	(603)	<b>1,325</b>	(1,219)
<b>Other comprehensive income/(expense) for the financial year, net of tax</b>	<b>60</b>	1,914	<b>(4,197)</b>	3,859
<b>Total comprehensive income for the financial year, net of tax</b>	<b>6,148</b>	6,785	<b>60,637</b>	59,585

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Note	<b>The Bank</b>			
		<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
		<b>Current quarter ended 30.06.2017 RM'000</b>	<b>Last year's quarter ended 30.06.2016 RM'000</b>	<b>Current year ended 30.06.2017 RM'000</b>	<b>Last year's ended 30.06.2016 RM'000</b>
Interest income	20	<b>38,299</b>	34,235	<b>148,577</b>	126,930
Interest expense	21	<b>(27,505)</b>	(22,335)	<b>(105,859)</b>	(85,109)
Net interest income		<b>10,794</b>	11,900	<b>42,718</b>	41,821
Non-interest income	22	<b>30,155</b>	26,571	<b>120,966</b>	103,029
Net income		<b>40,949</b>	38,471	<b>163,684</b>	144,850
Overhead expenses	23	<b>(26,715)</b>	(24,776)	<b>(95,635)</b>	(87,270)
Net operating profit		<b>14,234</b>	13,695	<b>68,049</b>	57,580
(Allowance for)/write-back of impairment losses on loans and advances and other losses	24	<b>(41)</b>	(240)	<b>(68)</b>	68
<b>Profit before taxation</b>		<b>14,193</b>	13,455	<b>67,981</b>	57,648
Taxation		<b>(8,085)</b>	(8,572)	<b>(3,054)</b>	(1,901)
<b>Net profit for the financial year</b>		<b>6,108</b>	4,883	<b>64,927</b>	55,747
Earnings per share (sen)					
- Basic		<b>3.7</b>	3.0	<b>39.3</b>	33.8
- Diluted		<b>3.7</b>	3.0	<b>39.3</b>	33.8

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	<u>Individual Quarter</u>		<u>The Bank</u> <u>Cumulative Months Ended</u>	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the financial year</b>	<b>6,108</b>	4,883	<b>64,927</b>	55,747
<b>Other comprehensive income/(expense):</b>				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale	<b>1,657</b>	2,669	<b>(665)</b>	5,569
- Net transfer to income statements on disposal of financial investments available-for-sale	<b>(1,579)</b>	(152)	<b>(4,857)</b>	(491)
Income tax relating to net fair value changes on financial investments available-for-sale	<b>(18)</b>	(603)	<b>1,325</b>	(1,219)
<b>Other comprehensive income/(expense) for the financial year, net of tax</b>	<b>60</b>	1,914	<b>(4,197)</b>	3,859
<b>Total comprehensive income for the financial year, net of tax</b>	<b>6,168</b>	6,797	<b>60,730</b>	59,606

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

<b>The Group</b>	Note	Attributable to owner of the parent					Retained profits/ RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000		
<b>At 1 July 2016</b>		<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,563</b>	<b>5,637</b>	<b>36,634</b>	<b>495,651</b>
Net profit for the financial year		-	-	-	-	-	64,834	64,834
Other comprehensive expense, net of tax		-	-	-	-	(4,197)	-	(4,197)
Total comprehensive (expense)/income for the financial year		-	-	-	-	(4,197)	64,834	60,637
Transfer pursuant to Companies Act, 2016 *		87,950	(87,950)	-	-	-	-	-
Transfer from statutory reserve		-	-	(196,867)	-	-	196,867	-
Transfer from regulatory reserve		-	-	-	(1,059)	-	1,059	-
Dividend paid		-	-	-	-	-	(52,300)	(52,300)
<b>At 30 June 2017</b>		<b>252,950</b>	<b>-</b>	<b>-</b>	<b>2,504</b>	<b>1,440</b>	<b>247,094</b>	<b>503,988</b>
<b>At 1 July 2015</b>		<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,031</b>	<b>1,778</b>	<b>23,040</b>	<b>477,666</b>
Net profit for the financial year		-	-	-	-	-	55,726	55,726
Other comprehensive income, net of tax		-	-	-	-	3,859	-	3,859
Total comprehensive income for the financial year		-	-	-	-	3,859	55,726	59,585
Transfer to regulatory reserve		-	-	-	532	-	(532)	-
Dividend paid		-	-	-	-	-	(41,600)	(41,600)
<b>At 30 June 2016</b>		<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,563</b>	<b>5,637</b>	<b>36,634</b>	<b>495,651</b>

\* The New Companies Act, 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM87,950,000 becomes part of Group's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as result of this transition.

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Non-distributable				Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits/ RM'000	
<b>The Bank</b>							
<b>At 1 July 2016</b>	<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,563</b>	<b>5,637</b>	<b>36,357</b>	<b>495,374</b>
Net profit for the financial year	-	-	-	-	-	64,927	64,927
Other comprehensive expense, net of tax	-	-	-	-	(4,197)	-	(4,197)
Total comprehensive (expense)/income for the financial year	-	-	-	-	(4,197)	64,927	60,730
Transfer pursuant to Companies Act, 2016 *	87,950	(87,950)	-	-	-	-	-
Transfer from statutory reserve	-	-	(196,867)	-	-	196,867	-
Transfer from regulatory reserve	-	-	-	(1,059)	-	1,059	-
Dividend paid	-	-	-	-	-	(52,300)	(52,300)
<b>At 30 June 2017</b>	<b>252,950</b>	<b>-</b>	<b>-</b>	<b>2,504</b>	<b>1,440</b>	<b>246,910</b>	<b>503,804</b>
<b>At 1 July 2015</b>	<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,031</b>	<b>1,778</b>	<b>22,742</b>	<b>477,368</b>
Net profit for the financial year	-	-	-	-	-	55,747	55,747
Other comprehensive income, net of tax	-	-	-	-	3,859	-	3,859
Total comprehensive income for the financial year	-	-	-	-	3,859	55,747	59,606
Transfer to regulatory reserve	-	-	-	532	-	(532)	-
Dividend paid	-	-	-	-	-	(41,600)	(41,600)
<b>At 30 June 2016</b>	<b>165,000</b>	<b>87,950</b>	<b>196,867</b>	<b>3,563</b>	<b>5,637</b>	<b>36,357</b>	<b>495,374</b>

\* The New Companies Act, 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM87,950,000 becomes part of Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>				
Profit before taxation	<b>67,888</b>	57,630	<b>67,981</b>	57,648
Adjustments for non-cash items	<b>(100,267)</b>	(50,946)	<b>(100,258)</b>	(50,936)
Operating (loss)/profit before changes in working capital	<b>(32,379)</b>	6,684	<b>(32,277)</b>	6,712
Changes in working capital:				
Net changes in operating assets	<b>323,478</b>	(415,193)	<b>323,643</b>	(415,181)
Net changes in operating liabilities	<b>90,674</b>	344,623	<b>92,214</b>	345,128
Net income tax refund/(paid)	<b>5</b>	(3)	-	-
Net cash generated from/(used in) operating activities	<b>381,778</b>	(63,889)	<b>383,580</b>	(63,341)
Net cash used in investing activities	<b>(390,869)</b>	(137,033)	<b>(390,999)</b>	(136,921)
Net cash used in financing activities	<b>(54,965)</b>	(44,257)	<b>(54,965)</b>	(44,257)
Net changes in cash and cash equivalents	<b>(64,056)</b>	(245,179)	<b>(62,384)</b>	(244,519)
Cash and cash equivalents at beginning of financial year	<b>270,795</b>	515,974	<b>269,053</b>	513,572
Cash and cash equivalents at end of financial year	<b>206,739</b>	270,795	<b>206,669</b>	269,053
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	<b>206,739</b>	230,436	<b>206,669</b>	228,694
Deposit and placements with other financial institutions	-	40,359	-	40,359
	<b>206,739</b>	270,795	<b>206,669</b>	269,053

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2016.*



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

**EXPLANATORY NOTES**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial year ended 30 June 2017 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2016. 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 2016.

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 2016 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2016:

- Amendments to MFRS 101 "Presentation of Financial Statements" - Disclosure Initiative
- Amendments to MFRS 10, 12 & 128 "Investment Entities - Applying the Consolidation Exception"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above annual improvements and amendments do not give rise to any material financial impact to the Group and to the Bank.

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.

**Significant changes in regulatory requirements**

Bank Negara Malaysia ("BNM") has issued the policy document on Capital Funds which came into effect on 3 May 2017. The policy document has been updated to remove the requirement for a banking institution to maintain a reserve fund.

BNM expects banking institutions to exercise prudence before submitting an application to distribute the reserves as dividends. BNM in considering the dividend application, shall consider, among others, the banking institution's ability to comply with the fully phased-in capital conservation buffer requirement and any other buffers that the BNM may specify.

During the financial year, the Group and the Bank have transferred RM196,867,000 respectively from its statutory reserve to retained profits in accordance with BNM's requirements.

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

**EXPLANATORY NOTES**

**1. Basis of preparation (continued)**

**Companies Act, 2016**

The Companies Act, 2016 (“New Act”) was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation while section 241 and Division 8 of Part III of the New Act come into operation on 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

- a) removal of the authorised share capital;
- b) shares of the Bank will cease to have par or nominal value; and
- c) the Group and the Bank's share premium account will become part of the Group and the Bank's share capital.

Notwithstanding this provision, the Group and the Bank may within 24 months from the commencement of the New Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The adoption of the New Act does not have any financial impact on the Group and the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ended 30 June 2017.

**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 2017.

**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 2017.

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

**EXPLANATORY NOTES**

**6. Issuance and repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 June 2017.

**7. Dividends**

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

The Directors of the Bank propose a final single-tier dividend of 33.3333 sen per share on the Bank's adjusted issued and paid-up share capital amounting to RM54,999,945 for the financial year ended 30 June 2017.

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

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets held-for-trading</b>		
<b>Money market instruments</b>		
Malaysian Government Investment Issues	30,561	-
Negotiable instruments of deposits	<u>831,596</u>	<u>763,252</u>
	<b>862,157</b>	<b>763,252</b>
<b>Quoted securities</b>		
In Malaysia:		
Shares	19,501	14,450
<b>Unquoted securities</b>		
Foreign currency bonds	-	21,057
Corporate bond and/or sukuk	<u>198,943</u>	<u>617,820</u>
	<b>198,943</b>	<b>638,877</b>
	<u><b>1,080,601</b></u>	<u>1,416,579</u>
<b>Financial assets designated at fair value through profit or loss</b>		
<b>Quoted securities</b>		
In Malaysia:		
Shares	79	140
	<u><b>1,080,680</b></u>	<u>1,416,719</u>

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

**EXPLANATORY NOTES**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</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>30,378</b>	30,606	<b>30,378</b>	30,606
Malaysian Government Investment Issues	<b>60,896</b>	30,889	<b>60,896</b>	30,889
Cagamas bonds	<b>65,442</b>	15,094	<b>65,442</b>	15,094
	<b>156,716</b>	76,589	<b>156,716</b>	76,589
<b>Quoted securities</b>				
Unit trust investment	<b>234</b>	352	-	-
<b>Unquoted securities</b>				
Shares	<b>245</b>	245	<b>245</b>	245
Foreign currency bonds	<b>74,832</b>	168,754	<b>74,832</b>	168,754
Corporate bond and/or sukuk	<b>741,122</b>	619,173	<b>741,122</b>	619,173
	<b>816,199</b>	788,172	<b>816,199</b>	788,172
	<b>973,149</b>	865,113	<b>972,915</b>	864,761

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

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	<b>211,031</b>	81,194
Malaysian Government Investment Issues	<b>518,643</b>	266,161
	<b>729,674</b>	347,355
<b>Unquoted securities</b>		
Foreign currency bonds	<b>93,757</b>	125,456
Corporate bond and/or sukuk	<b>85,784</b>	55,289
	<b>179,541</b>	180,745
	<b>909,215</b>	528,100

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

**EXPLANATORY NOTES**

**11. Loans and advances**

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan financing	25,685	84,527
Share margin financing	210,707	288,004
Staff loans	64	71
Other loans	586	574
Gross loans and advances	<u>237,042</u>	<u>373,176</u>
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(110)	(100)
- collective assessment allowance	(340)	(914)
Total net loans and advances	<u>236,592</u>	<u>372,162</u>
 (i) <b>Gross loans and advances disbursed by type of customers are as follows:</b>		
Domestic business enterprises		
- Small and medium enterprises	110	20,273
- Others	120,574	216,899
Individuals	108,535	127,909
Foreign entities	7,823	8,095
	<u>237,042</u>	<u>373,176</u>
 (ii) <b>Gross loans and advances analysed by interest rate sensitivity are as follows:</b>		
Variable rate	236,392	372,531
Fixed rate		
- Staff housing loans	64	71
- Other fixed rate loans	586	574
	<u>237,042</u>	<u>373,176</u>
 (iii) <b>Gross loans and advances analysed by residual contractual maturity are as follows:</b>		
Maturing within one year	225,988	308,648
One year to three years	10,990	64,457
Over five years	64	71
	<u>237,042</u>	<u>373,176</u>

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

**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) Loans and advances analysed by their economic purposes are as follows:</b>		
Working capital	25,685	33,969
Purchase of securities	210,707	338,562
Purchase of transport vehicles	110	100
Purchase of landed properties	540	545
	<b>237,042</b>	<b>373,176</b>
<b>(v) Gross loans and advances analysed by geographical distribution are as follows:</b>		
Malaysia	<b>237,042</b>	<b>373,176</b>
<b>(vi) Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
At 1 July	574	623
Impaired during the financial year	11,002	-
Amount written-back during the financial year	-	(38)
Amount written-off during the financial year	-	(11)
At 30 June	<b>11,576</b>	<b>574</b>
<b>(vii) Movements in allowance for loans and advances are as follows:</b>		
<b>Individual assessment allowance</b>		
At 1 July	100	111
Allowance made during the financial year	10	-
Allowance written-off during the financial year	-	(11)
At 30 June	<b>110</b>	<b>100</b>
<b>Collective assessment allowance</b>		
At 1 July	914	892
Allowance (written-back)/made during the financial year	(574)	22
At 30 June	<b>340</b>	<b>914</b>
<b>(viii) Impaired loans and advances analysed by their economic purposes are as follows:</b>		
Purchase of transport vehicles	110	100
Purchase of landed properties	476	474
Working capital	10,990	-
	<b>11,576</b>	<b>574</b>

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

**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	266,955	191,148
Impaired accounts	1,264	1,390
	<b>268,219</b>	<b>192,538</b>
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(417)	(282)
- collective assessment allowance	(28)	(17)
	<b>267,774</b>	<b>192,239</b>

**13. Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax recoverable	1	6	-	-
Amount due from related companies	20	331	20	331
Deposits and prepayments	5,004	7,235	5,004	7,235
Fee income receivables	16,076	7,743	16,076	7,743
Collaterals pledged for derivative transactions	22,531	27,271	22,531	27,271
Other receivables	4,389	3,093	4,389	3,094
	<b>48,021</b>	<b>45,679</b>	<b>48,020</b>	<b>45,674</b>

**14. Valuation of property and equipment**

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

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

**EXPLANATORY NOTES**

**15. Deposits from customers**

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	<b>648,867</b>	1,031,929
<p>(i) The deposits are sourced from the following customers:</p>		
Government & statutory bodies	456,337	873,906
Business enterprises	171,984	144,774
Individuals	20,546	13,249
	<b>648,867</b>	1,031,929
<p>(ii) The maturity structure of fixed deposits is as follows:</p>		
Due within:		
- six months	642,665	1,030,876
- six months to one year	6,202	1,053
	<b>648,867</b>	1,031,929

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

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	778,053	641,635
Licensed investment banks	50,004	-
Other financial institutions	1,419,676	1,263,135
	<b>2,247,733</b>	1,904,770



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

**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>30.06.2017</b>			
Interest rate related contracts:			
- Interest rate swaps	5,015,000	12,806	(23,881)
- Futures	322,498	337	-
- Cross currency swaps	171,770	83	(16,724)
Foreign exchange related contracts:			
- Foreign currency swaps	1,520,828	5,883	(7,345)
- Foreign currency forwards	73,399	171	(6)
- Foreign currency spots	17,735	1	(3)
Equity related contracts:			
- Call options	7,000	635	-
	<b>7,128,230</b>	<b>19,916</b>	<b>(47,959)</b>
<b>30.06.2016</b>			
Interest rate related contracts:			
- Interest rate swaps	5,413,500	19,664	(36,729)
- Futures	139,893	-	(1,567)
- Cross currency swaps	120,945	3,412	(11,085)
Foreign exchange related contracts:			
- Foreign currency swaps	2,308,659	18,347	(30,597)
- Foreign currency forwards	45,938	-	(696)
Equity related contracts:			
- Futures	5,032	-	(11)
- Call options	7,000	1,271	-
	<b>8,040,967</b>	<b>42,694</b>	<b>(80,685)</b>

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

**EXPLANATORY NOTES**

**18. Other liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to holding company	265	1,283	265	1,283
Amount due to a subsidiary companies	-	-	-	1
Remisiers' trust deposits	13,786	12,998	13,786	12,998
Other payables and accrued liabilities	81,346	78,786	81,425	77,324
Provision for post employment benefits	202	197	202	197
	<b>95,599</b>	<b>93,264</b>	<b>95,678</b>	<b>91,803</b>

**19. Subordinated obligations**

	<b>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	392	407
	<b>50,392</b>	<b>50,407</b>
Less: Unamortised discounts	(130)	(160)
	<b>50,262</b>	<b>50,247</b>

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

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

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

**EXPLANATORY NOTES**

**20. Interest income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	3,741	5,171	19,026	20,508
Money at call and deposit placements with financial institutions	493	542	1,672	3,713
Financial assets at fair value through profit or loss	8,122	12,280	40,852	38,079
Financial investments available-for-sale	11,105	8,460	39,959	34,744
Financial investments held-to-maturity	8,206	3,672	27,754	14,233
Derivative financial instruments	2,036	1,673	8,032	5,836
Others	4,607	2,437	11,356	9,817
<b>Total interest income</b>	<b>38,310</b>	<b>34,235</b>	<b>148,651</b>	<b>126,930</b>

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	3,741	5,171	19,026	20,508
Money at call and deposit placements with financial institutions	482	542	1,598	3,713
Financial assets at fair value through profit or loss	8,122	12,280	40,852	38,079
Financial investments available-for-sale	11,105	8,460	39,959	34,744
Financial investments held-to-maturity	8,206	3,672	27,754	14,233
Derivative financial instruments	2,036	1,673	8,032	5,836
Others	4,607	2,437	11,356	9,817
<b>Total interest income</b>	<b>38,299</b>	<b>34,235</b>	<b>148,577</b>	<b>126,930</b>

**21. Interest expense**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	8,979	6,167	30,340	23,053
Deposits from customers	13,806	12,986	57,110	47,668
Derivative financial instruments	3,479	2,427	15,012	11,408
Subordinated notes	667	661	2,680	2,710
Others	574	94	717	270
<b>Total interest expense</b>	<b>27,505</b>	<b>22,335</b>	<b>105,859</b>	<b>85,109</b>

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

**EXPLANATORY NOTES**

**22. Non-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>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>	
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
<u>Fee and commission income:</u>				
Corporate advisory fees	1,235	1,714	5,630	6,204
Arranger fees	3,303	4,780	9,633	15,428
Underwriting commissions	94	442	1,795	1,206
Placement fees	8,909	1,553	12,451	9,001
Brokerage income	17,286	12,150	59,321	52,535
Fees on loans and advances	-	1	785	372
Commission from future contracts	152	86	620	472
Other fee income	1,817	1,613	13,792	8,583
	<b>32,796</b>	<b>22,339</b>	<b>104,027</b>	<b>93,801</b>
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale/redemption of:				
- financial assets at fair value through profit or loss	3,804	10,779	5,735	15,090
- financial investments available-for-sale	936	1,010	3,990	1,003
- financial investments held-to-maturity	74	-	189	-
- derivative financial instruments	(3,415)	27,933	18,129	(13,414)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(3,529)	(6,861)	(5,622)	(2,770)
- derivative financial instruments	434	(10,072)	9,937	(24,272)
Dividend income from:				
- financial assets at fair value through profit or loss	142	(2)	1,751	1,946
- financial investments available-for-sale	3	73	12	73
	<b>(1,551)</b>	<b>22,860</b>	<b>34,121</b>	<b>(22,344)</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	19	4	121	4
(Loss)/gain on liquidation of subsidiaries	-	(1)	(7)	589
Foreign exchange (loss)/gain	(1,098)	(18,808)	(17,280)	30,914
Other non-operating income	11	216	35	250
	<b>(1,068)</b>	<b>(18,589)</b>	<b>(17,131)</b>	<b>31,757</b>
<b>Total non-interest income</b>	<b>30,177</b>	<b>26,610</b>	<b>121,017</b>	<b>103,214</b>

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

**EXPLANATORY NOTES**

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

	<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>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	1,235	1,714	5,630	6,204
Arranger fees	3,303	4,780	9,633	15,428
Underwriting commissions	94	442	1,795	1,206
Placement fees	8,909	1,553	12,451	9,001
Brokerage income	17,286	12,150	59,321	52,535
Fees on loans and advances	-	1	785	372
Commission from future contracts	152	86	620	472
Other fee income	1,797	1,573	13,750	8,408
	<b>32,776</b>	<b>22,299</b>	<b>103,985</b>	<b>93,626</b>
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale/redemption of:				
- financial assets at fair value through profit or loss	3,804	10,779	5,735	15,090
- financial investments available-for-sale	936	1,010	3,990	1,003
- financial investments held-to-maturity	74	-	189	-
- derivative financial instruments	(3,415)	27,933	18,129	(13,414)
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(3,529)	(6,861)	(5,622)	(2,770)
- derivative financial instruments	434	(10,072)	9,937	(24,272)
Dividend income from:				
- financial assets at fair value through profit or loss	142	(2)	1,751	1,946
- financial investments available-for-sale	-	73	-	73
	<b>(1,554)</b>	<b>22,860</b>	<b>34,109</b>	<b>(22,344)</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	19	4	121	4
(Loss)/gain on liquidation of subsidiaries	-	-	(4)	579
Foreign exchange (loss)/gain	(1,098)	(18,808)	(17,280)	30,914
Other non-operating income	12	216	35	250
	<b>(1,067)</b>	<b>(18,588)</b>	<b>(17,128)</b>	<b>31,747</b>
Total non-interest income	<b>30,155</b>	<b>26,571</b>	<b>120,966</b>	<b>103,029</b>

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

**EXPLANATORY NOTES**

**23. Overhead expenses**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2017 RM'000</b>	<b>Last year's quarter ended 30.06.2016 RM'000</b>	<b>Current year ended 30.06.2017 RM'000</b>	<b>Last year's ended 30.06.2016 RM'000</b>
Personnel expenses	<b>18,105</b>	16,342	<b>61,594</b>	54,364
Promotion and marketing related expenses	<b>448</b>	762	<b>2,352</b>	2,131
Establishment related expenses	<b>3,911</b>	4,059	<b>15,320</b>	15,624
General administrative expenses	<b>4,304</b>	3,663	<b>16,587</b>	15,354
	<b>26,768</b>	24,826	<b>95,853</b>	87,473
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>16,021</b>	14,066	<b>53,055</b>	45,353
Defined contribution plan	<b>1,501</b>	1,530	<b>5,884</b>	5,762
Other employee benefits	<b>583</b>	746	<b>2,655</b>	3,249
	<b>18,105</b>	16,342	<b>61,594</b>	54,364
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>2</b>	5	<b>35</b>	40
Entertainment and business improvement	<b>402</b>	606	<b>2,063</b>	1,762
Others	<b>44</b>	151	<b>254</b>	329
	<b>448</b>	762	<b>2,352</b>	2,131
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>493</b>	458	<b>1,604</b>	1,647
Amortisation of intangible assets	<b>586</b>	496	<b>2,657</b>	1,454
Rental expenses	<b>954</b>	1,242	<b>4,005</b>	5,633
Others	<b>1,878</b>	1,863	<b>7,054</b>	6,890
	<b>3,911</b>	4,059	<b>15,320</b>	15,624
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	<b>639</b>	579	<b>2,725</b>	2,566
Teletransmission expenses	<b>1,149</b>	944	<b>4,764</b>	4,474
Auditors' remuneration				
- Statutory audit fees	<b>88</b>	48	<b>285</b>	261
- Regulatory related fees	<b>23</b>	23	<b>23</b>	23
- Tax compliance fee	<b>15</b>	14	<b>15</b>	14
- Other fees	<b>168</b>	17	<b>168</b>	17
Legal and professional fees	<b>1,113</b>	708	<b>3,930</b>	3,161
Property and equipment written off	<b>-</b>	360	<b>-</b>	360
Others	<b>1,109</b>	970	<b>4,677</b>	4,478
	<b>4,304</b>	3,663	<b>16,587</b>	15,354

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

**EXPLANATORY NOTES**

**23. Overhead expenses (continued)**

	<b>Individual Quarter</b>		<b>The Bank Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2017 RM'000</b>	<b>Last year's quarter ended 30.06.2016 RM'000</b>	<b>Current year ended 30.06.2017 RM'000</b>	<b>Last year's ended 30.06.2016 RM'000</b>
Personnel expenses	18,065	16,305	61,440	54,225
Promotion and marketing related expenses	448	762	2,352	2,131
Establishment related expenses	3,901	4,048	15,270	15,576
General administrative expenses	4,301	3,661	16,573	15,338
	<b>26,715</b>	<b>24,776</b>	<b>95,635</b>	<b>87,270</b>
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	15,987	14,035	52,924	45,235
Defined contribution plan	1,495	1,524	5,861	5,741
Other employee benefits	583	746	2,655	3,249
	<b>18,065</b>	<b>16,305</b>	<b>61,440</b>	<b>54,225</b>
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	2	5	35	40
Entertainment and business improvement	402	606	2,063	1,762
Others	44	151	254	329
	<b>448</b>	<b>762</b>	<b>2,352</b>	<b>2,131</b>
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	493	458	1,604	1,647
Amortisation of intangible assets	586	496	2,657	1,454
Rental expenses	945	1,233	3,971	5,599
Others	1,877	1,861	7,038	6,876
	<b>3,901</b>	<b>4,048</b>	<b>15,270</b>	<b>15,576</b>
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	638	579	2,724	2,566
Teletransmission expenses	1,149	944	4,764	4,474
Auditors' remuneration				
- Statutory audit fees	86	47	278	254
- Regulatory related fees	23	23	23	23
- Tax compliance fee	15	14	15	14
- Other fees	168	17	168	17
Legal and professional fees	1,113	708	3,930	3,161
Property and equipment written off	-	360	-	360
Others	1,109	969	4,671	4,469
	<b>4,301</b>	<b>3,661</b>	<b>16,573</b>	<b>15,338</b>

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

**EXPLANATORY NOTES**

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

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended 30.06.2017 RM'000	quarter ended 30.06.2016 RM'000	year ended 30.06.2017 RM'000	year's ended 30.06.2016 RM'000
(Allowance for)/write-back of losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial period	(10)	-	(10)	-
(a) Collective assessment written-back/(made) during the financial year	108	(337)	574	(22)
Bad debts on loans & advances				
- recovered	-	-	-	5
Write-back of/(allowance for) losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial year	37	(47)	(245)	(150)
- written-back during the financial year	16	138	110	229
(b) Collective assessment (made)/written-back during the financial year	(12)	6	(11)	6
Bad debts on clients' and brokers' balances				
- written-off	(12)	-	(12)	-
- recovered	13	-	513	-
Allowance for losses on other debtors				
(a) Individual assessment allowance				
- made during the financial year	(181)	-	(987)	-
	<b>(41)</b>	<b>(240)</b>	<b>(68)</b>	<b>68</b>



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

**EXPLANATORY NOTES**

**25. Related party transactions**

**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>The Group and the Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<b>10,525</b>	13,972
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	<b>0.35%</b>	0.55%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<b>0.00%</b>	0.00%

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

**EXPLANATORY NOTES**

**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>30.06.2017</b>	<b>30.06.2016</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	<b>130,000</b>	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	<b>10,352</b>	-
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	<b>326</b>	2,165
- maturity over one year	-	589
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	<b>661,322</b>	686,780
	<b>803,000</b>	690,534
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	<b>1,778,383</b>	1,388,708
- Over one year to five years	<b>3,485,885</b>	3,630,630
- Over five years	<b>245,000</b>	655,000
Foreign exchange related contracts:		
- One year or less	<b>1,611,962</b>	2,354,597
Equity related contracts:		
- One year or less	-	5,032
- Over one year to five years	<b>7,000</b>	7,000
	<b>7,128,230</b>	8,040,967
	<b>7,931,230</b>	8,731,501

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

**EXPLANATORY NOTES**

**27. Fair value of financial instruments**

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

**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>30.06.2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	19,501	1,061,179	-	1,080,680
- Money market instruments	-	862,157	-	862,157
- Quoted securities	19,501	79	-	19,580
- Unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	234	972,670	245	973,149
- Money market instruments	-	156,716	-	156,716
- Quoted securities	234	-	-	234
- Unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	<b>19,735</b>	<b>2,053,765</b>	<b>245</b>	<b>2,073,745</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	47,959	-	47,959
<b>30.06.2016</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	14,450	1,402,269	-	1,416,719
- Money market instruments	-	763,252	-	763,252
- Quoted securities	14,450	140	-	14,590
- Unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	352	864,516	245	865,113
- Money market instruments	-	76,589	-	76,589
- Quoted securities	352	-	-	352
- Unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	<b>14,802</b>	<b>2,309,479</b>	<b>245</b>	<b>2,324,526</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	80,685	-	80,685

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

**EXPLANATORY NOTES**

**27. Fair value of financial instruments (continued)**

Determination of fair value and fair value hierarchy (continued)

<b>The Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30.06.2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	19,501	1,061,179	-	1,080,680
- Money market instruments	-	862,157	-	862,157
- Quoted securities	19,501	79	-	19,580
- Unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	-	972,670	245	972,915
- Money market instruments	-	156,716	-	156,716
- Unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	<b>19,501</b>	<b>2,053,765</b>	<b>245</b>	<b>2,073,511</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	47,959	-	47,959
<b>30.06.2016</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	14,450	1,402,269	-	1,416,719
- Money market instruments	-	763,252	-	763,252
- Quoted securities	14,450	140	-	14,590
- Unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	-	864,516	245	864,761
- Money market instruments	-	76,589	-	76,589
- Unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	<b>14,450</b>	<b>2,309,479</b>	<b>245</b>	<b>2,324,174</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	80,685	-	80,685

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

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

**EXPLANATORY NOTES**

**27. Fair value of financial instruments** (continued)

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

<b>The Group and the Bank</b>	<b>Financial investments available-for-sale</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning/end of financial year	<b>245</b>	<b>245</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>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</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>29.759%</b>	29.225%	<b>29.744%</b>	29.202%
Tier 1 capital ratio	<b>29.759%</b>	29.225%	<b>29.744%</b>	29.202%
Total capital ratio	<b>33.928%</b>	33.608%	<b>33.912%</b>	33.576%
<b>After deducting proposed dividends: <sup>(1)</sup></b>				
CET1 capital ratio	<b>25.414%</b>	25.011%	<b>25.398%</b>	24.986%
Tier 1 capital ratio	<b>25.414%</b>	25.011%	<b>25.398%</b>	24.986%
Total capital ratio	<b>29.583%</b>	29.394%	<b>29.566%</b>	29.360%

Note:

<sup>(1)</sup> Proposed dividends of RM55,000,000 (2016: RM52,300,000).

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

**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>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</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	252,950	165,000	252,950	165,000
Share premium	-	87,950	-	87,950
Retained profits	247,094	36,634	246,910	36,357
Other reserves	1,440	202,504	1,440	202,504
Less: goodwill and intangibles	(33,796)	(34,379)	(33,796)	(34,379)
Less: deferred tax assets	(90,153)	(91,882)	(90,153)	(91,882)
Less: investment in subsidiary companies	-	-	(160)	(217)
Less: 55% of cumulative gains of financial instruments available-for-sale	(792)	(3,100)	(792)	(3,100)
<b>Total CET1 Capital</b>	<b>376,743</b>	<b>362,727</b>	<b>376,399</b>	<b>362,233</b>
<b>Tier 1 Capital</b>	<b>376,743</b>	<b>362,727</b>	<b>376,399</b>	<b>362,233</b>
<b>Tier 2 Capital</b>				
Collective assessment allowance <sup>(2)</sup> and regulatory reserve <sup>(3)</sup>	2,783	4,394	2,783	4,394
Subordinated obligations	50,000	50,000	50,000	50,000
Regulatory adjustments:				
- Investment in subsidiary companies	-	-	(40)	(144)
<b>Total Tier 2 Capital</b>	<b>52,783</b>	<b>54,394</b>	<b>52,743</b>	<b>54,250</b>
<b>Total Capital</b>	<b>429,526</b>	<b>417,121</b>	<b>429,142</b>	<b>416,483</b>

Note:

(2) Excludes collective assessment allowance attributable to loans and advances classified as impaired.

(3) Includes the qualifying regulatory reserve for non-impaired loans and advances of RM2,504,000 (2016: RM3,563,000).

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2017</b>	<b>30.06.2016</b>	<b>30.06.2017</b>	<b>30.06.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	462,211	520,793	461,963	520,091
Market risk	517,433	416,042	517,433	416,042
Operational risk	286,353	304,312	286,064	304,287
	<b>1,265,997</b>	<b>1,241,147</b>	<b>1,265,460</b>	<b>1,240,420</b>

**EXPLANATORY NOTES**

**29. Significant events during the financial quarter ended 30 June 2017**

There were no material significant events during the financial quarter.

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

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

**31. Significant events subsequent to the financial quarter**

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

**32. Review of performance for the financial quarter ended 30 June 2017 against the corresponding financial quarter**

For the current financial quarter ended 30 June 2017, the Group recorded a profit before tax of RM14.2 million, as compared to a RM13.4 million recorded in the corresponding financial quarter. The increase in profit of RM0.8 million was primarily attributable to the higher income earned from its Debt Markets Division and Stockbroking Division.

**33. Prospects for 2018**

FY2018 is expected to be a challenging year ahead due to weak investors sentiment caused by economic uncertainties both domestically and internationally.

On the investment banking front, despite the challenging market conditions and operating environment, emphasis will continue to be placed on the offering of innovative financing solutions which has been the foundation of growth for the division since its inception back in 2009. Moving forward, resources will be channeled towards further widening the deals origination universe and to strengthen the distribution and placement capability for the Group to compete vigorously in the market.

For Stockbroking business, the Bank envisages the retail segment to grow in the next 10 years when the millennials with higher disposal income and savings start to invest and trade more in the market. Anticipating the shift in the market landscape with higher retail participation going forward, new initiatives is being carried out accordingly to focus on the online broking business. New applications will be developed to ensure effective client engagement with value add trading ideas and market news.