

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company No: 10209-W)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

|   | Note | <b>The Group</b>  |                   | <b>The Bank</b>   |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | As at             | As at             | As at             | As at             |
|   |      | <b>31.03.2017</b> | <b>30.06.2016</b> | <b>31.03.2017</b> | <b>30.06.2016</b> |
|   |      | RM'000            | RM'000            | RM'000            | RM'000            |
| <b>ASSETS</b>   |      |                   |                   |                   |                   |
| Cash and short-term funds   |      | <b>286,063</b>    | 230,436           | <b>286,050</b>    | 228,694           |
| Securities purchased under resale agreements                        |      | <b>35,548</b>     | -                 | <b>35,548</b>     | -                 |
| Deposits and placements with banks and other financial institutions |      | -                 | 40,359            | -                 | 40,359            |
| Financial assets at fair value through profit or loss               | 8    | <b>943,220</b>    | 1,416,719         | <b>943,220</b>    | 1,416,719         |
| Financial investments available-for-sale                            | 9    | <b>1,082,162</b>  | 865,113           | <b>1,081,851</b>  | 864,761           |
| Financial investments held-to-maturity                              | 10   | <b>898,698</b>    | 528,100           | <b>898,698</b>    | 528,100           |
| Derivative financial assets   | 17   | <b>19,726</b>     | 42,694            | <b>19,726</b>     | 42,694            |
| Loans and advances  | 11   | <b>293,045</b>    | 372,162           | <b>293,045</b>    | 372,162           |
| Clients' and brokers' balances                                      | 12   | <b>326,036</b>    | 192,239           | <b>326,036</b>    | 192,239           |
| Other assets  | 13   | <b>45,931</b>     | 45,679            | <b>45,931</b>     | 45,674            |
| Statutory deposits with Bank  |      |                   |                   |                   |                   |
| Negara Malaysia   |      | <b>56,707</b>     | 32,400            | <b>56,707</b>     | 32,400            |
| Investment in subsidiaries  |      | -                 | -                 | <b>200</b>        | 361               |
| Deferred tax assets   |      | <b>98,256</b>     | 91,882            | <b>98,256</b>     | 91,882            |
| Property and equipment  |      | <b>5,119</b>      | 5,551             | <b>5,119</b>      | 5,551             |
| Intangible assets - computer software                               |      | <b>5,215</b>      | 5,393             | <b>5,215</b>      | 5,393             |
| Goodwill  |      | <b>28,986</b>     | 28,986            | <b>28,986</b>     | 28,986            |
| <b>TOTAL ASSETS</b>   |      | <b>4,124,712</b>  | 3,897,713         | <b>4,124,588</b>  | 3,895,975         |
| <b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>                          |      |                   |                   |                   |                   |
| Deposits from customers   | 15   | <b>763,125</b>    | 1,031,929         | <b>763,125</b>    | 1,031,929         |
| Deposits and placements of banks and other financial institutions   | 16   | <b>2,346,722</b>  | 1,904,770         | <b>2,346,722</b>  | 1,904,770         |
| Derivative financial liabilities                                    | 17   | <b>48,904</b>     | 80,685            | <b>48,904</b>     | 80,685            |
| Clients' and brokers' balances                                      |      | <b>308,171</b>    | 241,167           | <b>308,171</b>    | 241,167           |
| Other liabilities   | 18   | <b>109,033</b>    | 93,264            | <b>109,113</b>    | 91,803            |
| Subordinated obligations  | 19   | <b>50,917</b>     | 50,247            | <b>50,917</b>     | 50,247            |
| <b>TOTAL LIABILITIES</b>  |      | <b>3,626,872</b>  | 3,402,062         | <b>3,626,952</b>  | 3,400,601         |
| <b>EQUITY</b>   |      |                   |                   |                   |                   |
| Share capital   |      | <b>165,000</b>    | 165,000           | <b>165,000</b>    | 165,000           |
| Reserves  |      | <b>332,840</b>    | 330,651           | <b>332,636</b>    | 330,374           |
| <b>TOTAL EQUITY</b>   |      | <b>497,840</b>    | 495,651           | <b>497,636</b>    | 495,374           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                 |      | <b>4,124,712</b>  | 3,897,713         | <b>4,124,588</b>  | 3,895,975         |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                |      |                   |                   |                   |                   |
|   | 25   | <b>8,307,248</b>  | 8,738,501         | <b>8,307,248</b>  | 8,738,501         |
| <b>Net assets per ordinary share (RM)</b>                           |      | <b>3.02</b>       | 3.00              | <b>3.02</b>       | 3.00              |

*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 PERIOD ENDED 31 MARCH 2017**

|  | Note | <b>The Group</b>   |  |   |  |
|--|------|--|--|---|--|
|  |      | <b>Individual Quarter</b>                                  |  | <b>Cumulative Months Ended</b>                          |  |
|  |      | <b>Current<br/>quarter ended<br/>31.03.2017<br/>RM'000</b> | <b>Last year's<br/>quarter ended<br/>31.03.2016<br/>RM'000</b> | <b>Current<br/>year ended<br/>31.03.2017<br/>RM'000</b> | <b>Last<br/>year's ended<br/>31.03.2016<br/>RM'000</b> |
| Interest income  | 20   | <b>36,815</b>  | 31,290   | <b>110,341</b>  | 92,695   |
| Interest expense   | 21   | <b>(26,904)</b>  | (20,621)   | <b>(78,354)</b>   | (62,774)   |
| Net interest income  |      | <b>9,911</b>   | 10,669   | <b>31,987</b>   | 29,921   |
| Non-interest income  | 22   | <b>35,025</b>  | 20,084   | <b>90,840</b>   | 76,604   |
| Net income   |      | <b>44,936</b>  | 30,753   | <b>122,827</b>  | 106,525  |
| Overhead expenses  | 23   | <b>(23,507)</b>  | (19,142)   | <b>(69,085)</b>   | (62,647)   |
| Net operating profit   |      | <b>21,429</b>  | 11,611   | <b>53,742</b>   | 43,878   |
| Write-back of/(allowance for) impairment<br>losses on loans and advances and<br>other losses | 24   | <b>124</b>   | 505  | <b>(27)</b>   | 308  |
| <b>Profit before taxation</b>  |      | <b>21,553</b>  | 12,116   | <b>53,715</b>   | 44,186   |
| Taxation   |      | <b>782</b>   | 2,851  | <b>5,031</b>  | 6,669  |
| <b>Net profit for the financial period</b>   |      | <b>22,335</b>  | 14,967   | <b>58,746</b>   | 50,855   |
| Earnings per share (sen)   |      |  |  |   |  |
| - Basic  |      | <b>13.5</b>  | 9.1  | <b>35.6</b>   | 30.8   |
| - Diluted  |      | <b>13.5</b>  | 9.1  | <b>35.6</b>   | 30.8   |

*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 PERIOD ENDED 31 MARCH 2017**

|   | <b>Individual Quarter</b> |                      | <b>The Group</b>         |                     |
|---|---------------------------|----------------------|--------------------------|---------------------|
|   | <b>Current</b>            | <b>Last year's</b>   | <b>Cumulative Months</b> | <b>Ended</b>        |
|   | <b>quarter ended</b>      | <b>quarter ended</b> | <b>year ended</b>        | <b>year's ended</b> |
|   | <b>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b>        | <b>31.03.2016</b>   |
|   | <b>RM'000</b>             | <b>RM'000</b>        | <b>RM'000</b>            | <b>RM'000</b>       |
| <b>Net profit for the financial period</b>  | <b>22,335</b>             | 14,967               | <b>58,746</b>            | 50,855              |
| <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                        | <b>1,236</b>              | 4,594                | <b>(5,600)</b>           | 2,561               |
| Income tax relating to net fair value changes on financial investments available-for-sale | <b>(297)</b>              | (1,103)              | <b>1,343</b>             | (616)               |
| <b>Other comprehensive income/(expense) for the financial period, net of tax</b>          | <b>939</b>                | 3,491                | <b>(4,257)</b>           | 1,945               |
| <b>Total comprehensive income for the financial period, net of tax</b>                    | <b>23,274</b>             | 18,458               | <b>54,489</b>            | 52,800              |

*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 PERIOD ENDED 31 MARCH 2017**

|  | 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>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b>              | <b>31.03.2016</b>   |
|  |      | <b>RM'000</b>             | <b>RM'000</b>        | <b>RM'000</b>                  | <b>RM'000</b>       |
| Interest income  | 20   | <b>36,804</b>             | 31,290               | <b>110,278</b>                 | 92,695              |
| Interest expense   | 21   | <b>(26,904)</b>           | (20,621)             | <b>(78,354)</b>                | (62,774)            |
| Net interest income  |      | <b>9,900</b>              | 10,669               | <b>31,924</b>                  | 29,921              |
| Non-interest income  | 22   | <b>35,009</b>             | 20,038               | <b>90,811</b>                  | 76,458              |
| Net income   |      | <b>44,909</b>             | 30,707               | <b>122,735</b>                 | 106,379             |
| Overhead expenses  | 23   | <b>(23,443)</b>           | (19,085)             | <b>(68,920)</b>                | (62,494)            |
| Net operating profit   |      | <b>21,466</b>             | 11,622               | <b>53,815</b>                  | 43,885              |
| Write-back of/(allowance for) impairment losses on loans and advances and other losses | 24   | <b>124</b>                | 505                  | <b>(27)</b>                    | 308                 |
| <b>Profit before taxation</b>  |      | <b>21,590</b>             | 12,127               | <b>53,788</b>                  | 44,193              |
| Taxation   |      | <b>782</b>                | 2,852                | <b>5,031</b>                   | 6,671               |
| <b>Net profit for the financial period</b>   |      | <b>22,372</b>             | 14,979               | <b>58,819</b>                  | 50,864              |
| Earnings per share (sen)   |      |                           |                      |                                |                     |
| - Basic  |      | <b>13.6</b>               | 9.1                  | <b>35.6</b>                    | 30.8                |
| - Diluted  |      | <b>13.6</b>               | 9.1                  | <b>35.6</b>                    | 30.8                |

*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 PERIOD ENDED 31 MARCH 2017**

|   | <b>Individual Quarter</b> |                      | <b>The Bank</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>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b> | <b>31.03.2016</b>   |
|   | <b>RM'000</b>             | <b>RM'000</b>        | <b>RM'000</b>     | <b>RM'000</b>       |
| <b>Net profit for the financial period</b>  | <b>22,372</b>             | 14,979               | <b>58,819</b>     | 50,864              |
| <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                        | <b>1,236</b>              | 4,594                | <b>(5,600)</b>    | 2,561               |
| Income tax relating to net fair value changes on financial investments available-for-sale | <b>(297)</b>              | (1,103)              | <b>1,343</b>      | (616)               |
| <b>Other comprehensive income/(expense) for the financial period, net of tax</b>          | <b>939</b>                | 3,491                | <b>(4,257)</b>    | 1,945               |
| <b>Total comprehensive income for the financial period, net of tax</b>                    | <b>23,311</b>             | 18,470               | <b>54,562</b>     | 52,809              |

*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 PERIOD ENDED 31 MARCH 2017**

| <u>The Group</u>  | Note | Attributable to owner of the parent |                         |                             |                              |                              | Retained profits/<br>RM'000 | Total<br>RM'000 |
|---|------|-------------------------------------|-------------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|-----------------|
|   |      | Share capital<br>RM'000             | Share premium<br>RM'000 | Statutory reserve<br>RM'000 | Regulatory reserve<br>RM'000 | Fair value reserve<br>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 period                           |      | -                                   | -                       | -                           | -                            | -                            | <b>58,746</b>               | <b>58,746</b>   |
| Other comprehensive expense, net of tax                       |      | -                                   | -                       | -                           | -                            | <b>(4,257)</b>               | -                           | <b>(4,257)</b>  |
| Total comprehensive (expense)/income for the financial period |      | -                                   | -                       | -                           | -                            | <b>(4,257)</b>               | <b>58,746</b>               | <b>54,489</b>   |
| Transfer from regulatory reserve                              |      | -                                   | -                       | -                           | <b>(489)</b>                 | -                            | <b>489</b>                  | -               |
| Dividend paid   |      | -                                   | -                       | -                           | -                            | -                            | <b>(52,300)</b>             | <b>(52,300)</b> |
| <b>At 31 March 2017</b>                                       |      | <b>165,000</b>                      | <b>87,950</b>           | <b>196,867</b>              | <b>3,074</b>                 | <b>1,380</b>                 | <b>43,569</b>               | <b>497,840</b>  |
| <b>At 1 July 2015</b>   |      | 165,000                             | 87,950                  | 196,867                     | 3,031                        | 1,778                        | 23,040                      | 477,666         |
| Net profit for the financial period                           |      | -                                   | -                       | -                           | -                            | -                            | 50,855                      | 50,855          |
| Other comprehensive income, net of tax                        |      | -                                   | -                       | -                           | -                            | 1,945                        | -                           | 1,945           |
| Total comprehensive income for the financial period           |      | -                                   | -                       | -                           | -                            | 1,945                        | 50,855                      | 52,800          |
| Transfer from regulatory reserve                              |      | -                                   | -                       | -                           | (494)                        | -                            | 494                         | -               |
| Dividend paid   |      | -                                   | -                       | -                           | -                            | -                            | (41,600)                    | (41,600)        |
| <b>At 31 March 2016</b>                                       |      | 165,000                             | 87,950                  | 196,867                     | 2,537                        | 3,723                        | 32,789                      | 488,866         |

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

|   | Non-distributable          |                            |                                |                                 | Distributable                   |                                | Total<br>RM'000 |
|---|----------------------------|----------------------------|--------------------------------|---------------------------------|---------------------------------|--------------------------------|-----------------|
|   | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Statutory<br>reserve<br>RM'000 | Regulatory<br>reserve<br>RM'000 | Fair value<br>reserve<br>RM'000 | Retained<br>profits/<br>RM'000 |                 |
| <b><u>The Bank</u></b>  |                            |                            |                                |                                 |                                 |                                |                 |
| <b>At 1 July 2016</b>   | 165,000                    | 87,950                     | 196,867                        | 3,563                           | 5,637                           | 36,357                         | 495,374         |
| Net profit for the financial period                           | -                          | -                          | -                              | -                               | -                               | 58,819                         | 58,819          |
| Other comprehensive expense, net of tax                       | -                          | -                          | -                              | -                               | (4,257)                         | -                              | (4,257)         |
| Total comprehensive (expense)/income for the financial period | -                          | -                          | -                              | -                               | (4,257)                         | 58,819                         | 54,562          |
| Transfer from regulatory reserve                              | -                          | -                          | -                              | (489)                           | -                               | 489                            | -               |
| Dividend paid   | -                          | -                          | -                              | -                               | -                               | (52,300)                       | (52,300)        |
| <b>At 31 March 2017</b>                                       | <b>165,000</b>             | <b>87,950</b>              | <b>196,867</b>                 | <b>3,074</b>                    | <b>1,380</b>                    | <b>43,365</b>                  | <b>497,636</b>  |
| <b>At 1 July 2015</b>   | 165,000                    | 87,950                     | 196,867                        | 3,031                           | 1,778                           | 22,742                         | 477,368         |
| Net profit for the financial period                           | -                          | -                          | -                              | -                               | -                               | 50,864                         | 50,864          |
| Other comprehensive income, net of tax                        | -                          | -                          | -                              | -                               | 1,945                           | -                              | 1,945           |
| Total comprehensive income for the financial period           | -                          | -                          | -                              | -                               | 1,945                           | 50,864                         | 52,809          |
| Transfer from regulatory reserve                              | -                          | -                          | -                              | (494)                           | -                               | 494                            | -               |
| Dividend paid   | -                          | -                          | -                              | -                               | -                               | (41,600)                       | (41,600)        |
| <b>At 31 March 2016</b>                                       | <b>165,000</b>             | <b>87,950</b>              | <b>196,867</b>                 | <b>2,537</b>                    | <b>3,723</b>                    | <b>32,500</b>                  | <b>488,577</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 STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

|  | <b>The Group</b>  |                   | <b>The Bank</b>   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.03.2017</b> | <b>31.03.2016</b> | <b>31.03.2017</b> | <b>31.03.2016</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                                     | 53,715            | 44,186            | 53,788            | 44,193            |
| Adjustments for non-cash items                             | <b>(78,990)</b>   | (46,382)          | <b>(78,990)</b>   | (46,371)          |
| Operating loss before changes in working capital           | <b>(25,275)</b>   | (2,196)           | <b>(25,202)</b>   | (2,178)           |
| Changes in working capital:                                |                   |                   |                   |                   |
| Net changes in operating assets                            | <b>389,754</b>    | (210,823)         | <b>389,918</b>    | (210,995)         |
| Net changes in operating liabilities                       | <b>255,921</b>    | 120,231           | <b>257,462</b>    | 122,233           |
| Net income tax refund/(paid)                               | <b>5</b>          | (2)               | -                 | -                 |
| Net cash generated from/(used in) operating activities     | <b>620,405</b>    | (92,790)          | <b>622,178</b>    | (90,940)          |
| Net cash (used in)/generated from investing activities     | <b>(511,135)</b>  | 72,810            | <b>(511,179)</b>  | 72,969            |
| Net cash used in financing activities                      | <b>(53,643)</b>   | (42,936)          | <b>(53,643)</b>   | (42,936)          |
| Net changes in cash and cash equivalents                   | <b>55,627</b>     | (62,916)          | <b>57,356</b>     | (60,907)          |
| Cash and cash equivalents at beginning of financial period | <b>230,436</b>    | 440,318           | <b>228,694</b>    | 438,100           |
| Cash and cash equivalents at end of financial period       | <b>286,063</b>    | 377,402           | <b>286,050</b>    | 377,193           |
| <b>Cash and cash equivalents comprise:</b>                 |                   |                   |                   |                   |
| Cash and short term funds                                  | <b>286,063</b>    | 377,402           | <b>286,050</b>    | 377,193           |

*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 period ended 31 March 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 at fair value through profit or loss (including derivative financial instruments).

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 11 'Joint Arrangements'
- Amendments to MFRS 116 'Property Plant and Equipment' and MFRS 138 'Intangible Assets'

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 new Companies Act 2016 (the "Act"), came into operation on 31 January 2017, except for Section 241 and Division 8 of Part III of the Act. Amongst the key changes introduced in the new Act which will affect the financial statements of the Group and the bank includes:

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

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

The adoption of the Act is not expected to have any financial impact on the Group and the Bank for the current financial

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.

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

**2. Audit report**

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

**3. Seasonality or cyclical nature 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 31 March 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 31 March 2017.

**6. Issuance and repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 March 2017.

**7. Dividends**

There were no dividends paid during the financial quarter ended 31 March 2017.

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

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

|   | <b>The Group and the Bank</b> |                   |
|---|-------------------------------|-------------------|
|   | <b>31.03.2017</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                                  | 20,037                        | -                 |
| Negotiable instruments of deposits                                      | 631,752                       | 763,252           |
|   | <b>651,789</b>                | <b>763,252</b>    |
| <b>Quoted securities</b>  |                               |                   |
| In Malaysia:  |                               |                   |
| Shares  | 119,816                       | 14,450            |
| <b>Unquoted securities</b>  |                               |                   |
| Foreign currency bonds  | 8,912                         | 21,057            |
| Corporate bond and/or sukuk   | 162,563                       | 617,820           |
|   | <b>171,475</b>                | <b>638,877</b>    |
|   | <b>943,080</b>                | <b>1,416,579</b>  |
| <b>Financial assets designated at fair value through profit or loss</b> |                               |                   |
| <b>Quoted securities</b>  |                               |                   |
| In Malaysia:  |                               |                   |
| Shares  | 140                           | 140               |
|   | <b>943,220</b>                | <b>1,416,719</b>  |

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

|  | <b>The Group</b>  |                   | <b>The Bank</b>   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.03.2017</b> | <b>30.06.2016</b> | <b>31.03.2017</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        | 30,498            | 30,606            | 30,498            | 30,606            |
| Malaysian Government Investment Issues | 30,422            | 30,889            | 30,422            | 30,889            |
| Cagamas bonds                          | 55,630            | 15,094            | 55,630            | 15,094            |
|  | <b>116,550</b>    | <b>76,589</b>     | <b>116,550</b>    | <b>76,589</b>     |
| <b>Quoted securities</b>               |                   |                   |                   |                   |
| Unit trust investment                  | 311               | 352               | -                 | -                 |
| <b>Unquoted securities</b>             |                   |                   |                   |                   |
| Shares                                 | 245               | 245               | 245               | 245               |
| Foreign currency bonds                 | 110,125           | 168,754           | 110,125           | 168,754           |
| Corporate bond and/or sukuk            | 854,931           | 619,173           | 854,931           | 619,173           |
|  | <b>965,301</b>    | <b>788,172</b>    | <b>965,301</b>    | <b>788,172</b>    |
|  | <b>1,082,162</b>  | <b>865,113</b>    | <b>1,081,851</b>  | <b>864,761</b>    |

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

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

|  | <b>The Group and the Bank</b> |                   |
|--|-------------------------------|-------------------|
|  | <b>31.03.2017</b>             | <b>30.06.2016</b> |
|  | <b>RM'000</b>                 | <b>RM'000</b>     |
| <b>Money market instruments</b>        |                               |                   |
| Malaysian Government Securities        | 210,350                       | 81,194            |
| Malaysian Government Investment Issues | 485,623                       | 266,161           |
|  | <b>695,973</b>                | <b>347,355</b>    |
| <b>Unquoted securities</b>             |                               |                   |
| Foreign currency bonds                 | 136,881                       | 125,456           |
| Corporate bond and/or sukuk            | 65,844                        | 55,289            |
|  | <b>202,725</b>                | <b>180,745</b>    |
|  | <b>898,698</b>                | <b>528,100</b>    |

**11. Loans and advances**

|  | <b>The Group and the Bank</b> |                   |
|--|-------------------------------|-------------------|
|  | <b>31.03.2017</b>             | <b>30.06.2016</b> |
|  | <b>RM'000</b>                 | <b>RM'000</b>     |
| Term loan financing                              | 46,013                        | 84,527            |
| Share margin financing                           | 246,940                       | 288,004           |
| Staff loans                                      | 66                            | 71                |
| Other loans                                      | 574                           | 574               |
| Gross loans and advances                         | <b>293,593</b>                | <b>373,176</b>    |
| Less: Allowance for losses on loans and advances |                               |                   |
| - individual assessment allowance                | (100)                         | (100)             |
| - collective assessment allowance                | (448)                         | (914)             |
| Total net loans and advances                     | <b>293,045</b>                | <b>372,162</b>    |

**(i) Gross loans and advances disbursed by type of customers are as follows:**

|                                |                |                |
|--------------------------------|----------------|----------------|
| Domestic business enterprises  |                |                |
| - Small and medium enterprises | 108            | 20,273         |
| - Others                       | 169,638        | 216,899        |
| Individuals                    | 116,132        | 127,909        |
| Foreign entities               | 7,715          | 8,095          |
|                                | <b>293,593</b> | <b>373,176</b> |

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

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

|   | <b>The Group and the Bank</b> |                   |
|---|-------------------------------|-------------------|
|   | <b>31.03.2017</b>             | <b>30.06.2016</b> |
|   | <b>RM'000</b>                 | <b>RM'000</b>     |
| <b>(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:</b>      |                               |                   |
| Variable rate   | 292,953                       | 372,531           |
| Fixed rate  |                               |                   |
| - Staff housing loans   | 66                            | 71                |
| - Other fixed rate loans  | 574                           | 574               |
|   | <b>293,593</b>                | <b>373,176</b>    |
| <b>(iii) Gross loans and advances analysed by residual contractual maturity are as follows:</b> |                               |                   |
| Maturing within one year  | 282,026                       | 308,648           |
| One year to three years   | 11,501                        | 64,457            |
| Over five years   | 66                            | 71                |
|   | <b>293,593</b>                | <b>373,176</b>    |
| <b>(iv) Loans and advances analysed by their economic purposes are as follows:</b>              |                               |                   |
| Working capital   | 46,013                        | 33,969            |
| Purchase of securities  | 246,940                       | 338,562           |
| Purchase of transport vehicles  | 100                           | 100               |
| Purchase of landed properties   | 540                           | 545               |
|   | <b>293,593</b>                | <b>373,176</b>    |
| <b>(v) Gross loans and advances analysed by geographical distribution are as follows:</b>       |                               |                   |
| Malaysia  | <b>293,593</b>                | <b>373,176</b>    |
| <b>(vi) Movements in impaired loans and advances ("impaired loans") are as follows:</b>         |                               |                   |
| At 1 July   | 574                           | 623               |
| Amount written-back during the financial period/year  | -                             | (38)              |
| Amount written-off during the financial period/year   | -                             | (11)              |
| At 31 March/30 June   | <b>574</b>                    | <b>574</b>        |

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

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

|   | <b>The Group and the Bank</b> |                   |
|---|-------------------------------|-------------------|
|   | <b>31.03.2017</b>             | <b>30.06.2016</b> |
|   | <b>RM'000</b>                 | <b>RM'000</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 written-off during the financial period/year  | -                             | (11)              |
| At 31 March/30 June   | <u>100</u>                    | <u>100</u>        |
| <b>Collective assessment allowance</b>  |                               |                   |
| At 1 July   | 914                           | 892               |
| Allowance (written-back)/made during the financial period/year                                | (466)                         | 22                |
| At 31 March/30 June   | <u>448</u>                    | <u>914</u>        |
| <b>(viii) Impaired loans and advances analysed by their economic purposes are as follows:</b> |                               |                   |
| Purchase of transport vehicles  | 100                           | 100               |
| Purchase of landed properties   | 474                           | 474               |
|   | <u>574</u>                    | <u>574</u>        |

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

|  | <b>The Group and the Bank</b> |                   |
|--|-------------------------------|-------------------|
|  | <b>31.03.2017</b>             | <b>30.06.2016</b> |
|  | <b>RM'000</b>                 | <b>RM'000</b>     |
| Performing accounts                        | 325,128                       | 191,148           |
| Impaired accounts                          | 1,395                         | 1,390             |
|  | <u>326,523</u>                | <u>192,538</u>    |
| Less: Allowance for bad and doubtful debts |                               |                   |
| - individual assessment allowance          | (471)                         | (282)             |
| - collective assessment allowance          | (16)                          | (17)              |
|  | <u>326,036</u>                | <u>192,239</u>    |

**13. Other assets**

|   | <b>The Group</b>  |                   | <b>The Bank</b>   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <b>31.03.2017</b> | <b>30.06.2016</b> | <b>31.03.2017</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 subsidiary companies            | -                 | -                 | 1                 | -                 |
| Amount due from related companies               | 120               | 331               | 120               | 331               |
| Deposits and prepayments                        | 6,195             | 7,235             | 6,195             | 7,235             |
| Fee income receivables                          | 14,178            | 7,743             | 14,178            | 7,743             |
| Collaterals pledged for derivative transactions | 21,107            | 27,271            | 21,107            | 27,271            |
| Other receivables                               | 4,330             | 3,093             | 4,330             | 3,094             |
|   | <u>45,931</u>     | <u>45,679</u>     | <u>45,931</u>     | <u>45,674</u>     |

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

**14. Valuation of property and equipment**

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

**15. Deposits from customers**

|  | <b>The Group and the Bank</b> |                   |
|--|-------------------------------|-------------------|
|  | <b>31.03.2017</b>             | <b>30.06.2016</b> |
|  | <b>RM'000</b>                 | <b>RM'000</b>     |
| Fixed Deposit  | <b>763,125</b>                | 1,031,929         |
| (i) The deposits are sourced from the following customers:   |                               |                   |
| Government & statutory bodies                                | 547,369                       | 873,906           |
| Business enterprises   | 192,530                       | 144,774           |
| Individuals  | 23,226                        | 13,249            |
|  | <b>763,125</b>                | 1,031,929         |
| (ii) The maturity structure of fixed deposits is as follows: |                               |                   |
| Due within:  |                               |                   |
| - six months   | 756,979                       | 1,030,876         |
| - six months to one year                                     | 6,146                         | 1,053             |
|  | <b>763,125</b>                | 1,031,929         |

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

|                              | <b>The Group and the Bank</b> |                   |
|------------------------------|-------------------------------|-------------------|
|                              | <b>31.03.2017</b>             | <b>30.06.2016</b> |
|                              | <b>RM'000</b>                 | <b>RM'000</b>     |
| Licensed banks               | 1,078,121                     | 641,635           |
| Licensed investment banks    | 26,552                        | -                 |
| Other financial institutions | 1,242,049                     | 1,263,135         |
|                              | <b>2,346,722</b>              | 1,904,770         |

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

**17. Derivative financial assets/liabilities**

|                                     | <b>The Group and the Bank</b>   |   |   |
|-------------------------------------|---|---|---|
|                                     | <b>Contract or<br/>underlying<br/>principal<br/>amount<br/>RM'000</b> | <b>Positive<br/>fair<br/>value<br/>RM'000</b> | <b>Negative<br/>fair<br/>value<br/>RM'000</b> |
| <b>31.03.2017</b>                   |   |   |   |
| Interest rate related contracts:    |   |   |   |
| - Interest rate swaps               | 5,308,500   | 11,857  | (19,912)                                      |
| - Futures                           | 110,625   | -   | (546)   |
| - Cross currency swaps              | 88,500  | 53  | (18,877)                                      |
| Foreign exchange related contracts: |   |   |   |
| - Foreign currency swaps            | 1,992,437   | 5,949   | (9,506)                                       |
| - Foreign currency forwards         | 28,453  | 6   | (63)  |
| Equity related contracts:           |   |   |   |
| - Futures                           | 96,148  | 439   | -   |
| - Call options                      | 7,000   | 1,422   | -   |
|                                     | <b>7,631,663</b>  | <b>19,726</b>                                 | <b>(48,904)</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>                               |



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**EXPLANATORY NOTES**

**18. Other liabilities**

|  | <b>The Group</b>  |                   | <b>The Bank</b>   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.03.2017</b> | <b>30.06.2016</b> | <b>31.03.2017</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                    | 262               | 1,283             | 262               | 1,283             |
| Amount due to a subsidiary companies             | -                 | -                 | 41                | 1                 |
| Remisiers' trust deposits                        | 13,663            | 12,998            | 13,663            | 12,998            |
| Advance payments received for corporate exercise | 33,893            | -                 | 33,893            | -                 |
| Other payables and accrued liabilities           | 61,014            | 78,786            | 61,053            | 77,324            |
| Provision for post employment benefits           | 201               | 197               | 201               | 197               |
|  | <b>109,033</b>    | <b>93,264</b>     | <b>109,113</b>    | <b>91,803</b>     |

**19. Subordinated obligations**

|  | <b>The Group and the Bank</b> |                   |
|--|-------------------------------|-------------------|
|  | <b>31.03.2017</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                            | 1,053                         | 407               |
|  | <b>51,053</b>                 | 50,407            |
| Less: Unamortised discounts                      | (136)                         | (160)             |
|  | <b>50,917</b>                 | 50,247            |

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

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

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**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>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b>              | <b>31.03.2016</b>   |
|   | <b>RM'000</b>             | <b>RM'000</b>        | <b>RM'000</b>                  | <b>RM'000</b>       |
| Loans and advances  | 4,519                     | 4,665                | 15,285                         | 15,337              |
| Money at call and deposit placements<br>with financial institutions | 315                       | 331                  | 1,179                          | 3,171               |
| Financial assets at fair value through profit or loss               | 8,041                     | 10,844               | 32,730                         | 25,799              |
| Financial investments available-for-sale                            | 11,237                    | 8,699                | 28,854                         | 26,284              |
| Financial investments held-to-maturity                              | 7,817                     | 3,549                | 19,548                         | 10,561              |
| Derivative financial instruments                                    | 2,030                     | 418                  | 5,996                          | 4,163               |
| Others  | 2,856                     | 2,784                | 6,749                          | 7,380               |
| <b>Total interest income</b>  | <b>36,815</b>             | <b>31,290</b>        | <b>110,341</b>                 | <b>92,695</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>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b>              | <b>31.03.2016</b>   |
|   | <b>RM'000</b>             | <b>RM'000</b>        | <b>RM'000</b>                  | <b>RM'000</b>       |
| Loans and advances  | 4,519                     | 4,665                | 15,285                         | 15,337              |
| Money at call and deposit placements<br>with financial institutions | 304                       | 331                  | 1,116                          | 3,171               |
| Financial assets at fair value through profit or loss               | 8,041                     | 10,844               | 32,730                         | 25,799              |
| Financial investments available-for-sale                            | 11,237                    | 8,699                | 28,854                         | 26,284              |
| Financial investments held-to-maturity                              | 7,817                     | 3,549                | 19,548                         | 10,561              |
| Derivative financial instruments                                    | 2,030                     | 418                  | 5,996                          | 4,163               |
| Others  | 2,856                     | 2,784                | 6,749                          | 7,380               |
| <b>Total interest income</b>  | <b>36,804</b>             | <b>31,290</b>        | <b>110,278</b>                 | <b>92,695</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>31.03.2017</b>             | <b>31.03.2016</b>    | <b>31.03.2017</b>              | <b>31.03.2016</b>   |
|  | <b>RM'000</b>                 | <b>RM'000</b>        | <b>RM'000</b>                  | <b>RM'000</b>       |
| Deposits and placements of banks<br>and other financial institutions | 8,327                         | 6,558                | 21,361                         | 16,886              |
| Deposits from customers  | 14,017                        | 11,694               | 43,304                         | 34,682              |
| Derivative financial instruments                                     | 3,897                         | 1,642                | 11,533                         | 8,981               |
| Subordinated notes   | 659                           | 667                  | 2,013                          | 2,049               |
| Others   | 4                             | 60                   | 143                            | 176                 |
| <b>Total interest expense</b>  | <b>26,904</b>                 | <b>20,621</b>        | <b>78,354</b>                  | <b>62,774</b>       |

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

**22. Non-interest income**

|   | <b>Individual Quarter</b> |                      | <b>The Group<br/>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>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b>                            | <b>31.03.2016</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                                   | 582                       | 1,770                | 4,395  | 4,490               |
| Arranger fees   | 784                       | 1,495                | 5,680  | 10,648              |
| Underwriting commissions                                  | 1,701                     | 267                  | 1,701  | 764                 |
| Brokerage income  | 17,809                    | 13,230               | 42,035                                       | 40,385              |
| Fees on loans and advances                                | 266                       | 3                    | 1,435  | 371                 |
| Other fee income  | 9,906                     | 1,562                | 15,985                                       | 14,804              |
|   | <b>31,048</b>             | <b>18,327</b>        | <b>71,231</b>                                | <b>71,462</b>       |
| <u>Net income from securities</u>                         |                           |                      |  |                     |
| Net realised (loss)/gain arising from sale/redemption of: |                           |                      |  |                     |
| - financial assets at fair value through profit or loss   | (5,905)                   | 3,906                | 1,931  | 4,311               |
| - financial investments available-for-sale                | 367                       | 347                  | 3,054  | (7)                 |
| - financial investments held-to-maturity                  | 115                       | -                    | 115  | -                   |
| - derivative financial instruments                        | 1,872                     | 5,211                | 21,544                                       | (41,347)            |
| Net unrealised gain/(loss) on revaluation of:             |                           |                      |  |                     |
| - financial assets at fair value through profit or loss   | 7,410                     | 8,754                | (2,093)                                      | 4,091               |
| - derivative financial instruments                        | (5,553)                   | (22,915)             | 9,503  | (14,200)            |
| Dividend income from:                                     |                           |                      |  |                     |
| - financial assets at fair value through profit or loss   | 1,199                     | 361                  | 1,609  | 1,948               |
| - financial investments available-for-sale                | 3                         | -                    | 9  | -                   |
|   | <b>(492)</b>              | <b>(4,336)</b>       | <b>35,672</b>                                | <b>(45,204)</b>     |
| <u>Other income:</u>                                      |                           |                      |  |                     |
| Gain on disposal of property and equipment                | -                         | -                    | 102  | -                   |
| (Loss)/gain on liquidation of subsidiaries                | -                         | -                    | (7)  | 590                 |
| Foreign exchange gain/(loss)                              | 4,461                     | 6,088                | (16,182)                                     | 49,722              |
| Other non-operating income                                | 8                         | 5                    | 24   | 34                  |
|   | <b>4,469</b>              | <b>6,093</b>         | <b>(16,063)</b>                              | <b>50,346</b>       |
| Total non-interest income                                 | <b>35,025</b>             | <b>20,084</b>        | <b>90,840</b>                                | <b>76,604</b>       |

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**EXPLANATORY NOTES**

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

|   | <b>Individual Quarter</b> |                      | <b>The Bank<br/>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>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b>                           | <b>31.03.2016</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                                   | 582                       | 1,770                | 4,395                                       | 4,490               |
| Arranger fees   | 784                       | 1,495                | 5,680                                       | 10,648              |
| Underwriting commissions                                  | 1,701                     | 267                  | 1,701                                       | 764                 |
| Brokerage income  | 17,809                    | 13,230               | 42,035                                      | 40,385              |
| Fees on loans and advances                                | 266                       | 3                    | 1,435                                       | 371                 |
| Other fee income  | 9,893                     | 1,516                | 15,963                                      | 14,669              |
|   | <b>31,035</b>             | <b>18,281</b>        | <b>71,209</b>                               | <b>71,327</b>       |
| <u>Net income from securities</u>                         |                           |                      |   |                     |
| Net realised (loss)/gain arising from sale/redemption of: |                           |                      |   |                     |
| - financial assets at fair value through profit or loss   | (5,905)                   | 3,906                | 1,931                                       | 4,311               |
| - financial investments available-for-sale                | 367                       | 347                  | 3,054                                       | (7)                 |
| - financial investments held-to-maturity                  | 115                       | -                    | 115   | -                   |
| - derivative financial instruments                        | 1,872                     | 5,211                | 21,544                                      | (41,347)            |
| Net unrealised gain/(loss) on revaluation of:             |                           |                      |   |                     |
| - financial assets at fair value through profit or loss   | 7,410                     | 8,754                | (2,093)                                     | 4,091               |
| - derivative financial instruments                        | (5,553)                   | (22,915)             | 9,503                                       | (14,200)            |
| Dividend income from:                                     |                           |                      |   |                     |
| - financial assets at fair value through profit or loss   | 1,199                     | 361                  | 1,609                                       | 1,948               |
|   | <b>(495)</b>              | <b>(4,336)</b>       | <b>35,663</b>                               | <b>(45,204)</b>     |
| <u>Other income:</u>                                      |                           |                      |   |                     |
| Gain on disposal of property and equipment                | -                         | -                    | 102   | -                   |
| (Loss)/gain on liquidation of subsidiaries                | -                         | -                    | (4)   | 579                 |
| Foreign exchange gain/(loss)                              | 4,461                     | 6,088                | (16,182)                                    | 49,722              |
| Other non-operating income                                | 8                         | 5                    | 23  | 34                  |
|   | <b>4,469</b>              | <b>6,093</b>         | <b>(16,061)</b>                             | <b>50,335</b>       |
| Total non-interest income                                 | <b>35,009</b>             | <b>20,038</b>        | <b>90,811</b>                               | <b>76,458</b>       |

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**EXPLANATORY NOTES**

**23. Overhead expenses**

|  | <b>The Group</b>          |                      |                                |                     |
|--|---------------------------|----------------------|--------------------------------|---------------------|
|  | <b>Individual Quarter</b> |                      | <b>Cumulative Months Ended</b> |                     |
|  | <b>Current</b>            | <b>Last year's</b>   | <b>Current</b>                 | <b>Last</b>         |
|  | <b>quarter ended</b>      | <b>quarter ended</b> | <b>year ended</b>              | <b>year's ended</b> |
|  | <b>31.03.2017</b>         | <b>31.03.2016</b>    | <b>31.03.2017</b>              | <b>31.03.2016</b>   |
|  | <b>RM'000</b>             | <b>RM'000</b>        | <b>RM'000</b>                  | <b>RM'000</b>       |
| Personnel expenses   | <b>14,505</b>             | 10,595               | <b>43,489</b>                  | 38,022              |
| Promotion and marketing related expenses                                     | <b>830</b>                | 381                  | <b>1,904</b>                   | 1,369               |
| Establishment related expenses   | <b>3,739</b>              | 4,164                | <b>11,409</b>                  | 11,565              |
| General administrative expenses  | <b>4,433</b>              | 4,002                | <b>12,283</b>                  | 11,691              |
|  | <b>23,507</b>             | 19,142               | <b>69,085</b>                  | 62,647              |
| <b>(i) Personnel expenses comprise the following:</b>                        |                           |                      |                                |                     |
| Salaries, bonuses and allowances   | <b>12,272</b>             | 8,414                | <b>37,034</b>                  | 31,287              |
| Defined contribution plan  | <b>1,472</b>              | 1,444                | <b>4,383</b>                   | 4,232               |
| Other employee benefits  | <b>761</b>                | 737                  | <b>2,072</b>                   | 2,503               |
|  | <b>14,505</b>             | 10,595               | <b>43,489</b>                  | 38,022              |
| <b>(ii) Promotion and marketing related expenses comprise the following:</b> |                           |                      |                                |                     |
| Advertisement and publicity expenses   | <b>1</b>                  | -                    | <b>33</b>                      | 35                  |
| Entertainment and business improvement                                       | <b>707</b>                | 339                  | <b>1,661</b>                   | 1,156               |
| Others   | <b>122</b>                | 42                   | <b>210</b>                     | 178                 |
|  | <b>830</b>                | 381                  | <b>1,904</b>                   | 1,369               |
| <b>(iii) Establishment related expenses comprise the following:</b>          |                           |                      |                                |                     |
| Depreciation of property and equipment                                       | <b>396</b>                | 422                  | <b>1,111</b>                   | 1,189               |
| Amortisation of intangible assets  | <b>679</b>                | 316                  | <b>2,071</b>                   | 958                 |
| Rental expenses  | <b>966</b>                | 1,620                | <b>3,051</b>                   | 4,391               |
| Others   | <b>1,698</b>              | 1,806                | <b>5,176</b>                   | 5,027               |
|  | <b>3,739</b>              | 4,164                | <b>11,409</b>                  | 11,565              |
| <b>(iv) General administrative expenses comprise the following:</b>          |                           |                      |                                |                     |
| Management fee   | <b>764</b>                | 566                  | <b>2,086</b>                   | 1,987               |
| Teletransmission expenses  | <b>1,311</b>              | 1,172                | <b>3,615</b>                   | 3,530               |
| Auditors' remuneration   |                           |                      |                                |                     |
| - Statutory audit fees   | <b>64</b>                 | 74                   | <b>197</b>                     | 213                 |
| Legal and professional fees  | <b>1,131</b>              | 909                  | <b>2,817</b>                   | 2,453               |
| Others   | <b>1,163</b>              | 1,281                | <b>3,568</b>                   | 3,508               |
|  | <b>4,433</b>              | 4,002                | <b>12,283</b>                  | 11,691              |

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**EXPLANATORY NOTES**

**23. Overhead expenses (continued)**

|  | <b>Individual Quarter</b>                                  |  | <b>The Bank<br/>Cumulative Months Ended</b>             |  |
|--|--|--|---|--|
|  | <b>Current<br/>quarter ended<br/>31.03.2017<br/>RM'000</b> | <b>Last year's<br/>quarter ended<br/>31.03.2016<br/>RM'000</b> | <b>Current<br/>year ended<br/>31.03.2017<br/>RM'000</b> | <b>Last<br/>year's ended<br/>31.03.2016<br/>RM'000</b> |
| Personnel expenses   | 14,465   | 10,560   | 43,375  | 37,920   |
| Promotion and marketing related expenses                                     | 830  | 381  | 1,904   | 1,369  |
| Establishment related expenses   | 3,719  | 4,147  | 11,369  | 11,528   |
| General administrative expenses  | 4,429  | 3,997  | 12,272  | 11,677   |
|  | <b>23,443</b>  | <b>19,085</b>  | <b>68,920</b>   | <b>62,494</b>  |
| <br>   |  |  |   |  |
| <b>(i) Personnel expenses comprise the following:</b>                        |  |  |   |  |
| Salaries, bonuses and allowances   | 12,238   | 8,384  | 36,937  | 31,200   |
| Defined contribution plan  | 1,466  | 1,439  | 4,366   | 4,217  |
| Other employee benefits  | 761  | 737  | 2,072   | 2,503  |
|  | <b>14,465</b>  | <b>10,560</b>  | <b>43,375</b>   | <b>37,920</b>  |
| <br>   |  |  |   |  |
| <b>(ii) Promotion and marketing related expenses comprise the following:</b> |  |  |   |  |
| Advertisement and publicity expenses   | 1  | -  | 33  | 35   |
| Entertainment and business improvement                                       | 707  | 339  | 1,661   | 1,156  |
| Others   | 122  | 42   | 210   | 178  |
|  | <b>830</b>   | <b>381</b>   | <b>1,904</b>  | <b>1,369</b>   |
| <br>   |  |  |   |  |
| <b>(iii) Establishment related expenses comprise the following:</b>          |  |  |   |  |
| Depreciation of property and equipment                                       | 396  | 422  | 1,111   | 1,189  |
| Amortisation of intangible assets  | 679  | 316  | 2,071   | 958  |
| Rental expenses  | 958  | 1,612  | 3,026   | 4,366  |
| Others   | 1,686  | 1,797  | 5,161   | 5,015  |
|  | <b>3,719</b>   | <b>4,147</b>   | <b>11,369</b>   | <b>11,528</b>  |
| <br>   |  |  |   |  |
| <b>(iv) General administrative expenses comprise the following:</b>          |  |  |   |  |
| Management fee   | 764  | 566  | 2,086   | 1,987  |
| Teletransmission expenses  | 1,311  | 1,172  | 3,615   | 3,530  |
| Auditors' remuneration   |  |  |   |  |
| - Statutory audit fees   | 63   | 72   | 192   | 207  |
| Legal and professional fees  | 1,131  | 909  | 2,817   | 2,453  |
| Others   | 1,160  | 1,278  | 3,562   | 3,500  |
|  | <b>4,429</b>   | <b>3,997</b>   | <b>12,272</b>   | <b>11,677</b>  |

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

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

|   | Individual Quarter   |  | The Group and the Bank<br>Cumulative Months Ended |  |
|---|--|--|---|--|
|   | Current<br>quarter ended<br>31.03.2017<br>RM'000                   | Last year's<br>quarter ended<br>31.03.2016<br>RM'000 | Current<br>year ended<br>31.03.2017<br>RM'000     | Last<br>year's ended<br>31.03.2016<br>RM'000 |
|   | Write-back of allowance for losses on impaired loans and advances: |  |   |  |
| (a) Collective assessment written-back during the financial period      | 229  | 479  | 466   | 315  |
| Bad debts on loans & advances   |  |  |   |  |
| - recovered   | -  | 5  | -   | 5  |
| Write-back of/(allowance for) losses on clients' and brokers' balances: |  |  |   |  |
| (a) Individual assessment allowance                                     |  |  |   |  |
| - made during the financial period                                      | 12   | 9  | (282)   | (103)  |
| - written-back during the financial period                              | 11   | 12   | 94  | 91   |
| (b) Collective assessment written-back during the financial period      | 4  | -  | 1   | -  |
| Bad debts on clients' and brokers' balances                             |  |  |   |  |
| - recovered   | 500  | -  | 500   | -  |
| Allowance for losses on other debtors                                   |  |  |   |  |
| (a) Individual assessment allowance                                     |  |  |   |  |
| - made during the financial period                                      | (632)  | -  | (806)   | -  |
|   | <b>124</b>   | <b>505</b>   | <b>(27)</b>                                       | <b>308</b>                                   |

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**EXPLANATORY NOTES**

**25. 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>31.03.2017</b>                      | <b>30.06.2016</b>                      |
|  | <b>Principal<br/>Amount<br/>RM'000</b> | <b>Principal<br/>Amount<br/>RM'000</b> |
| <b>Commitments and Contingent Liabilities</b>  |  |  |
| Direct Credit Substitutes  | <b>1,000</b>                           | 8,000                                  |
| Other commitments, such as formal standby facilities and credit lines                              |  |  |
| - maturity less than one year  | <b>514</b>                             | 2,165                                  |
| - maturity over one year   | -                                      | 589                                    |
| Any commitments that are unconditionally cancelled<br>at any time by the Bank without prior notice |  |  |
| - maturity less than one year  | <b>674,071</b>                         | 686,780                                |
|  | <b>675,585</b>                         | 697,534                                |
| <b>Derivative Financial Instruments</b>  |  |  |
| Interest rate related contracts:   |  |  |
| - One year or less   | <b>1,682,625</b>                       | 1,388,708                              |
| - Over one year to five years  | <b>3,580,000</b>                       | 3,630,630                              |
| - Over five years  | <b>245,000</b>                         | 655,000                                |
| Foreign exchange related contracts:  |  |  |
| - One year or less   | <b>2,020,890</b>                       | 2,354,597                              |
| Equity related contracts:  |  |  |
| - One year or less   | <b>96,148</b>                          | 5,032                                  |
| - Over one year to five years  | <b>7,000</b>                           | 7,000                                  |
|  | <b>7,631,663</b>                       | 8,040,967                              |
|  | <b>8,307,248</b>                       | 8,738,501                              |



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**EXPLANATORY NOTES**

**26. 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**

**26. 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>31.03.2017</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 | 119,816        | 823,404          | -              | 943,220          |
| - Money market instruments                            | -              | 651,789          | -              | 651,789          |
| - Quoted securities                                   | 119,816        | 140              | -              | 119,956          |
| - Unquoted securities                                 | -              | 171,475          | -              | 171,475          |
| Financial investments available-for-sale              | 311            | 1,081,606        | 245            | 1,082,162        |
| - Money market instruments                            | -              | 116,550          | -              | 116,550          |
| - Quoted securities                                   | 311            | -                | -              | 311              |
| - Unquoted securities                                 | -              | 965,056          | 245            | 965,301          |
| Derivative financial assets                           | -              | 19,726           | -              | 19,726           |
|   | <b>120,127</b> | <b>1,924,736</b> | <b>245</b>     | <b>2,045,108</b> |
| <b>Financial liability</b>                            |                |                  |                |                  |
| Derivative financial liabilities                      | -              | 48,904           | -              | 48,904           |
| <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           |

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**EXPLANATORY NOTES**

**26. 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>31.03.2017</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 | 119,816        | 823,404          | -              | 943,220          |
| - Money market instruments                            | -              | 651,789          | -              | 651,789          |
| - Quoted securities                                   | 119,816        | 140              | -              | 119,956          |
| - Unquoted securities                                 | -              | 171,475          | -              | 171,475          |
| Financial investments available-for-sale              | -              | 1,081,606        | 245            | 1,081,851        |
| - Money market instruments                            | -              | 116,550          | -              | 116,550          |
| - Unquoted securities                                 | -              | 965,056          | 245            | 965,301          |
| Derivative financial assets                           | -              | 19,726           | -              | 19,726           |
|   | <b>119,816</b> | <b>1,924,736</b> | <b>245</b>     | <b>2,044,797</b> |
| <b>Financial liability</b>                            |                |                  |                |                  |
| Derivative financial liabilities                      | -              | 48,904           | -              | 48,904           |
| <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 period.

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**EXPLANATORY NOTES**

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

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

|                                    | <b>Financial investments<br/>available-for-sale</b> |                   |
|------------------------------------|---|-------------------|
| <b>The Group and the Bank</b>      | <b>31.03.2017</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>        |

**27. 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>31.03.2017</b> | <b>30.06.2016</b> | <b>31.03.2017</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>22.173%</b>    | 29.225%           | <b>22.151%</b>    | 29.202%           |
| Tier 1 capital ratio                                      | <b>22.173%</b>    | 29.225%           | <b>22.151%</b>    | 29.202%           |
| Total capital ratio                                       | <b>26.012%</b>    | 33.608%           | <b>25.989%</b>    | 33.576%           |
| <b>After deducting proposed dividends: <sup>(1)</sup></b> |                   |                   |                   |                   |
| CET1 capital ratio  | <b>22.173%</b>    | 25.011%           | <b>22.151%</b>    | 24.986%           |
| Tier 1 capital ratio                                      | <b>22.173%</b>    | 25.011%           | <b>22.151%</b>    | 24.986%           |
| Total capital ratio                                       | <b>26.012%</b>    | 29.394%           | <b>25.989%</b>    | 29.360%           |

Note:

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

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**EXPLANATORY NOTES**

**27. 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>31.03.2017</b> | <b>30.06.2016</b> | <b>31.03.2017</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   | <b>165,000</b>    | 165,000           | <b>165,000</b>    | 165,000           |
| Share premium  | <b>87,950</b>     | 87,950            | <b>87,950</b>     | 87,950            |
| Retained profits   | <b>(15,666)</b>   | 36,634            | <b>(15,943)</b>   | 36,357            |
| Other reserves   | <b>198,247</b>    | 202,504           | <b>198,247</b>    | 202,504           |
| Less: goodwill and intangibles   | <b>(34,201)</b>   | (34,379)          | <b>(34,201)</b>   | (34,379)          |
| Less: deferred tax assets  | <b>(91,882)</b>   | (91,882)          | <b>(91,882)</b>   | (91,882)          |
| Less: investment in subsidiary companies   | -                 | -                 | <b>(160)</b>      | (217)             |
| Less: 55% of cumulative gains of financial instruments available-for-sale            | <b>(759)</b>      | (3,100)           | <b>(759)</b>      | (3,100)           |
| <b>Total CET1 Capital</b>  | <b>308,689</b>    | 362,727           | <b>308,252</b>    | 362,233           |
| <b>Tier 1 Capital</b>  | <b>308,689</b>    | 362,727           | <b>308,252</b>    | 362,233           |
| <b>Tier 2 Capital</b>  |                   |                   |                   |                   |
| Collective assessment allowance <sup>(2)</sup> and regulatory reserve <sup>(3)</sup> | <b>3,445</b>      | 4,394             | <b>3,445</b>      | 4,394             |
| Subordinated obligations   | <b>50,000</b>     | 50,000            | <b>50,000</b>     | 50,000            |
| Regulatory adjustments:  |                   |                   |                   |                   |
| - Investment in subsidiary companies   | -                 | -                 | <b>(40)</b>       | (144)             |
| <b>Total Tier 2 Capital</b>  | <b>53,445</b>     | 54,394            | <b>53,405</b>     | 54,250            |
| <b>Total Capital</b>   | <b>362,134</b>    | 417,121           | <b>361,657</b>    | 416,483           |

Note:

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

<sup>(3)</sup> Includes the qualifying regulatory reserve for non-impaired loans and advances of RM3,074,000 (2016: RM3,563,000).

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

|                  | <b>The Group</b>  |                   | <b>The Bank</b>   |                   |
|------------------|-------------------|-------------------|-------------------|-------------------|
|                  | <b>31.03.2017</b> | <b>30.06.2016</b> | <b>31.03.2017</b> | <b>30.06.2016</b> |
|                  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Credit risk      | <b>526,122</b>    | 520,793           | <b>525,809</b>    | 520,091           |
| Market risk      | <b>563,429</b>    | 416,042           | <b>563,429</b>    | 416,042           |
| Operational risk | <b>302,636</b>    | 304,312           | <b>302,344</b>    | 304,287           |
|                  | <b>1,392,187</b>  | 1,241,147         | <b>1,391,582</b>  | 1,240,420         |

**EXPLANATORY NOTES**

**28. Significant events during the financial quarter ended 31 March 2017**

There were no material significant events during the financial quarter.

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

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

**30. 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.

**31. Review of performance for the financial quarter ended 31 March 2017 against the corresponding financial quarter**

For the current financial quarter ended 31 March 2017, the Group recorded a profit before tax of RM21.5 million, as compared to a RM12.1 million recorded in the corresponding financial quarter. The increase in profit of RM9.4 million was primarily attributable to the higher income earned from both Investment Banking Division and Stockbroking Division.

**32. Prospects for 2017**

FY2017 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.