

**HONG LEONG INVESTMENT BANK BERHAD**  
*Registration No. 197001000928 (10209-W)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	Note	<b>The Group</b>		<b>The Bank</b>	
		As at	As at	As at	As at
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		118,351	272,603	116,519	271,013
Securities purchased under resale agreements		-	50,172	-	50,172
Deposits and placements with banks and other financial institutions		31,139	-	31,139	-
Financial assets at fair value through profit or loss ("FVTPL")	8	523,419	651,672	523,223	651,584
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,350,820	1,266,529	1,350,820	1,266,529
Financial investments at amortised cost	10	1,059,286	868,134	1,059,286	868,134
Derivative financial assets	17	34,494	54,957	34,494	54,957
Loans and advances	11	335,759	316,023	335,759	316,023
Clients' and brokers' balances	12	199,794	236,008	199,794	236,008
Other assets	13	46,136	37,667	46,135	37,660
Investment in subsidiaries		-	-	200	200
Deferred tax assets		121,199	85,925	121,199	85,925
Property and equipment	14	8,418	9,267	8,418	9,267
Right-of-use ("ROU") assets		16,121	19,486	16,121	19,486
Intangible assets - computer software		2,759	2,394	2,759	2,394
Goodwill		28,986	28,986	28,986	28,986
<b>TOTAL ASSETS</b>		<b>3,876,681</b>	<b>3,899,823</b>	<b>3,874,852</b>	<b>3,898,338</b>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	15	701,538	737,747	701,538	737,747
Deposits and placements of banks and other financial institutions	16	2,049,422	2,073,211	2,049,422	2,073,211
Derivative financial liabilities	17	41,056	81,620	41,056	81,620
Clients' and brokers' balances		176,640	218,257	176,640	218,257
Lease liabilities		15,193	18,184	15,193	18,184
Provision for tax		9	7	-	-
Other liabilities	18	133,614	116,341	131,972	114,938
Subordinated obligations	19	100,192	100,178	100,192	100,178
<b>TOTAL LIABILITIES</b>		<b>3,217,664</b>	<b>3,345,545</b>	<b>3,216,013</b>	<b>3,344,135</b>
<b>EQUITY</b>					
Share capital		252,950	252,950	252,950	252,950
Reserves		406,067	301,328	405,889	301,253
<b>TOTAL EQUITY</b>		<b>659,017</b>	<b>554,278</b>	<b>658,839</b>	<b>554,203</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,876,681</b>	<b>3,899,823</b>	<b>3,874,852</b>	<b>3,898,338</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	27	5,993,970	6,967,399	5,993,970	6,967,399
<b>Net assets per ordinary share (RM)</b>		<b>3.99</b>	<b>3.36</b>	<b>3.99</b>	<b>3.36</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2020.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	Note	<b>The Group</b>			
		<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
		<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
		<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
		<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	20a	<b>25,243</b>	28,745	<b>102,413</b>	110,585
Interest income for financial assets at FVTPL	20b	<b>8,120</b>	8,956	<b>37,423</b>	39,188
Interest expense	21	<b>(21,147)</b>	(23,032)	<b>(90,647)</b>	(104,256)
Net interest income		<b>12,216</b>	14,669	<b>49,189</b>	45,517
Non-interest income	22	<b>28,070</b>	38,764	<b>197,906</b>	124,375
Net income		<b>40,286</b>	53,433	<b>247,095</b>	169,892
Overhead expenses	23	<b>(21,858)</b>	(31,478)	<b>(107,045)</b>	(102,957)
Operating profit before allowances		<b>18,428</b>	21,955	<b>140,050</b>	66,935
Write-back of/(allowance for) impairment losses on loans and advances	24	<b>198</b>	1,675	<b>3,026</b>	(280)
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	25	<b>(46)</b>	(210)	<b>296</b>	(1,931)
<b>Profit before taxation</b>		<b>18,580</b>	23,420	<b>143,372</b>	64,724
Taxation		<b>47,884</b>	186	<b>33,352</b>	5,416
<b>Net profit for the financial year</b>		<b>66,464</b>	23,606	<b>176,724</b>	70,140
Earnings per share (sen)					
- Basic		<b>40.3</b>	14.3	<b>107.1</b>	42.5
- Diluted		<b>40.3</b>	14.3	<b>107.1</b>	42.5

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2020.*

**HONG LEONG INVESTMENT BANK BERHAD**

*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial year</b>	<b>66,464</b>	23,606	<b>176,724</b>	70,140
<b>Other comprehensive income/(expense):</b>				
Items that will not be reclassified subsequently to income statements				
Equity instruments at FVOCI				
- Net fair value changes	-	37	-	-
- Net gain on disposal	-	43	-	43
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	<b>10,437</b>	11,789	<b>(7,917)</b>	1,786
- Net changes in expected credit losses	<b>(37)</b>	175	<b>31</b>	198
Income tax relating to net fair value changes on financial investments at FVOCI	<b>(2,504)</b>	(2,830)	<b>1,901</b>	(429)
<b>Other comprehensive income/(expense) for the financial year, net of tax</b>	<b>7,896</b>	9,214	<b>(5,985)</b>	1,598
<b>Total comprehensive income for the financial year, net of tax</b>	<b>74,360</b>	32,820	<b>170,739</b>	71,738

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2020.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	Note	<b>The Bank</b>			
		<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
		<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
		<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
		<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	20a	<b>25,210</b>	28,732	<b>102,329</b>	110,516
Interest income for financial assets at FVTPL	20b	<b>8,120</b>	8,956	<b>37,423</b>	39,188
Interest expense	21	<b>(21,147)</b>	(23,032)	<b>(90,647)</b>	(104,256)
Net interest income		<b>12,183</b>	14,656	<b>49,105</b>	45,448
Non-interest income	22	<b>27,997</b>	38,692	<b>197,704</b>	124,459
Net income		<b>40,180</b>	53,348	<b>246,809</b>	169,907
Overhead expenses	23	<b>(21,822)</b>	(31,462)	<b>(106,883)</b>	(102,789)
Operating profit before allowances		<b>18,358</b>	21,886	<b>139,926</b>	67,118
Write-back of/(allowance for) impairment losses on loans and advances	24	<b>198</b>	1,675	<b>3,026</b>	(280)
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	25	<b>(46)</b>	(210)	<b>296</b>	(1,931)
<b>Profit before taxation</b>		<b>18,510</b>	23,351	<b>143,248</b>	64,907
Taxation		<b>47,905</b>	197	<b>33,373</b>	5,428
<b>Net profit for the financial year</b>		<b>66,415</b>	23,548	<b>176,621</b>	70,335
Earnings per share (sen)					
- Basic		<b>40.3</b>	14.3	<b>107.0</b>	42.6
- Diluted		<b>40.3</b>	14.3	<b>107.0</b>	42.6

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2020.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net profit for the financial year</b>	<b>66,415</b>	23,548	<b>176,621</b>	70,335
<b>Other comprehensive income/(expense):</b>				
Items that will not be reclassified subsequently to income statements				
Equity instruments at FVOCI				
- Net fair value changes	-	37	-	-
- Net gain on disposal	-	43	-	43
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	<b>10,437</b>	11,789	<b>(7,917)</b>	1,786
- Net changes in expected credit losses	<b>(37)</b>	175	<b>31</b>	198
Income tax relating to net fair value changes on financial investments at FVOCI	<b>(2,504)</b>	(2,830)	<b>1,901</b>	(429)
<b>Other comprehensive income/(expense) for the financial year, net of tax</b>	<b>7,896</b>	9,214	<b>(5,985)</b>	1,598
<b>Total comprehensive income for the financial year, net of tax</b>	<b>74,311</b>	32,762	<b>170,636</b>	71,933

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**HONG LEONG INVESTMENT BANK BERHAD**

*Registration No. 197001000928 (10209-W)*

**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

<b><u>The Group</u></b>	<b>Attributable to owner of the parent</b>				<b>Total RM'000</b>
	<b>Share capital RM'000</b>	<b>Regulatory reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained profits RM'000</b>	
<b>At 1 July 2020</b>	<b>252,950</b>	<b>12,076</b>	<b>9,349</b>	<b>279,903</b>	<b>554,278</b>
Net profit for the financial year	-	-	-	176,724	176,724
Other comprehensive expense, net of tax	-	-	(5,985)	-	(5,985)
Total comprehensive (expense)/income for the financial year	-	-	(5,985)	176,724	170,739
Transfer to regulatory reserve	-	1,073	-	(1,073)	-
Dividend paid	-	-	-	(66,000)	(66,000)
<b>At 30 June 2021</b>	<b>252,950</b>	<b>13,149</b>	<b>3,364</b>	<b>389,554</b>	<b>659,017</b>
At 1 July 2019	252,950	11,606	7,794	238,190	510,540
Net profit for the financial year	-	-	-	70,140	70,140
Other comprehensive income, net of tax	-	-	1,555	43	1,598
Total comprehensive income for the financial year	-	-	1,555	70,183	71,738
Transfer to regulatory reserve	-	470	-	(470)	-
Dividend paid	-	-	-	(28,000)	(28,000)
<b>At 30 June 2020</b>	<b>252,950</b>	<b>12,076</b>	<b>9,349</b>	<b>279,903</b>	<b>554,278</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2020.*

HONG LEONG INVESTMENT BANK BERHAD

Registration No. 197001000928 (10209-W)

CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Non-distributable			Distributable	Total RM'000
	Share capital RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
<b><u>The Bank</u></b>					
<b>At 1 July 2020</b>	<b>252,950</b>	<b>12,076</b>	<b>9,349</b>	<b>279,828</b>	<b>554,203</b>
Net profit for the financial year	-	-	-	176,621	176,621
Other comprehensive expense, net of tax	-	-	(5,985)	-	(5,985)
Total comprehensive (expense)/income for the financial year	-	-	(5,985)	176,621	170,636
Transfer to regulatory reserve	-	1,073	-	(1,073)	-
Dividend paid	-	-	-	(66,000)	(66,000)
<b>At 30 June 2021</b>	<b>252,950</b>	<b>13,149</b>	<b>3,364</b>	<b>389,376</b>	<b>658,839</b>
At 1 July 2019	252,950	11,606	7,794	237,920	510,270
Net profit for the financial year	-	-	-	70,335	70,335
Other comprehensive income, net of tax	-	-	1,555	43	1,598
Total comprehensive income for the financial year	-	-	1,555	70,378	71,933
Transfer to regulatory reserve	-	470	-	(470)	-
Dividend paid	-	-	-	(28,000)	(28,000)
<b>At 30 June 2020</b>	<b>252,950</b>	<b>12,076</b>	<b>9,349</b>	<b>279,828</b>	<b>554,203</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2020.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</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	143,372	64,724	143,248	64,907
Adjustments for non-cash items	<b>(67,103)</b>	(57,228)	<b>(67,100)</b>	(57,521)
Operating profit before changes in working capital	<b>76,269</b>	7,496	<b>76,148</b>	7,386
Changes in working capital:				
Net changes in operating assets	<b>184,131</b>	434,944	<b>184,232</b>	434,663
Net changes in operating liabilities	<b>(84,342)</b>	(342,185)	<b>(84,581)</b>	(337,086)
Net income tax paid	<b>(19)</b>	(13)	-	-
Net cash generated from operating activities	<b>176,039</b>	100,242	<b>175,799</b>	104,963
Net cash used in investing activities	<b>(225,091)</b>	(190,214)	<b>(225,093)</b>	(189,922)
Net cash used in financing activities	<b>(74,061)</b>	(87,487)	<b>(74,061)</b>	(87,487)
Net changes in cash and cash equivalents	<b>(123,113)</b>	(177,459)	<b>(123,355)</b>	(172,446)
Cash and cash equivalents at beginning of financial year	<b>272,603</b>	450,062	<b>271,013</b>	443,459
Cash and cash equivalents at end of financial year	<b>149,490</b>	272,603	<b>147,658</b>	271,013
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	<b>118,351</b>	272,603	<b>116,519</b>	271,013
Deposit and placements with bank and other financial institutions	<b>31,139</b>	-	<b>31,139</b>	-
	<b>149,490</b>	272,603	<b>147,658</b>	271,013

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2020.*



**EXPLANATORY NOTES**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial year ended 30 June 2021 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 30 June 2020. 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 2020.

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 2020 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The adoption of the above amendments to published standards are not expected to have significant impact on the financial results of the Group and the Bank.

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

**2. Audit report**

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

**3. Seasonality or cyclicity of operations**

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 30 June 2021.

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**EXPLANATORY NOTES**

**5. Changes in estimates**

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 30 June 2021.

**6. Issuance and repayments**

Save as detailed below, there were no other new shares issuance, no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 June 2021.

**7. Dividends**

There were no dividends paid during the financial quarter ended 30 June 2021.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>				
Malaysian Government Securities	20,953	-	20,953	-
Malaysian Government Investment Issues	31,180	-	31,180	-
Negotiable instruments of deposits	398,979	588,325	398,979	588,325
Cagamas bonds	15,015	-	15,015	-
	<b>466,127</b>	588,325	<b>466,127</b>	588,325
<b>Quoted securities</b>				
In Malaysia:				
Shares	7,384	18,033	7,384	18,033
Unit trust investment	196	88	-	-
	<b>7,580</b>	18,121	<b>7,384</b>	18,033
<b>Unquoted securities</b>				
Shares	-	1,432	-	1,432
Corporate bond and/or sukuk	49,712	43,794	49,712	43,794
	<b>49,712</b>	45,226	<b>49,712</b>	45,226
	<b>523,419</b>	651,672	<b>523,223</b>	651,584

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	32,232	41,229
Malaysian Government Investment Issues	283,907	52,982
Cagamas bonds	75,488	30,358
	<b>391,627</b>	<b>124,569</b>
<b>Unquoted securities</b>		
Foreign currency bonds	105,169	72,260
Corporate bond and/or sukuk	854,024	1,069,700
	<b>959,193</b>	<b>1,141,960</b>
	<b>1,350,820</b>	<b>1,266,529</b>

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

	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL	not credit	credit	
	(Stage 1)	impaired	impaired	
<b>The Group and the Bank</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2020	341	-	-	341
Allowances made	37	-	-	37
Amount written back	(38)	-	-	(38)
New financial assets originated or purchased	148	-	-	148
Financial assets derecognised	(89)	-	-	(89)
Exchange differences	(27)	-	-	(27)
At 30 June 2021	<b>372</b>	<b>-</b>	<b>-</b>	<b>372</b>
At 1 July 2019	143	-	-	143
Allowances made	7	-	-	7
Amount written back	(25)	-	-	(25)
New financial assets originated or purchased	347	-	-	347
Financial assets derecognised	(98)	-	-	(98)
Exchange differences	(33)	-	-	(33)
At 30 June 2020	<b>341</b>	<b>-</b>	<b>-</b>	<b>341</b>

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**10. Financial investments at amortised cost**

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	462,996	291,869
Malaysian Government Investment Issues	515,821	534,018
	<b>978,817</b>	<b>825,887</b>
<b>Unquoted securities</b>		
Foreign currency bonds	16,639	16,964
Corporate bond and/or sukuk	63,842	25,298
	<b>80,481</b>	<b>42,262</b>
Less: Expected credit losses	(12)	(15)
	<b>1,059,286</b>	<b>868,134</b>

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

<b>The Group and the Bank</b>	<b>12 Months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total ECL RM'000</b>
At 1 July 2020	15	-	-	15
Amount written back	(1)			(1)
Exchange differences	(2)	-	-	(2)
At 30 June 2021	<b>12</b>	<b>-</b>	<b>-</b>	<b>12</b>
At 1 July 2019	36	-	-	36
Financial assets derecognised	(22)			(22)
Exchange differences	1	-	-	1
At 30 June 2020	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</b>

**11. Loans and advances**

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan financing	41,986	93,935
Share margin financing	294,054	225,398
Staff loans	37	44
Other loans	265	281
Gross loans and advances	<b>336,342</b>	<b>319,658</b>
Less: Expected credit losses	<b>(583)</b>	<b>(3,635)</b>
Total net loans and advances	<b>335,759</b>	<b>316,023</b>

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

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Gross loans and advances disbursed by type of customers</b>		
Domestic business enterprises		
- Small and medium enterprises	<b>60,590</b>	57,941
- Others	<b>90,417</b>	124,759
Individuals	<b>181,065</b>	133,221
Foreign entities	<b>4,270</b>	3,737
	<b>336,342</b>	319,658
<b>(ii) Gross loans and advances analysed by interest rate sensitivity</b>		
Variable rate	<b>336,040</b>	319,333
Fixed rate		
- Staff housing loans	<b>37</b>	44
- Other fixed rate loans	<b>265</b>	281
	<b>336,342</b>	319,658
<b>(iii) Gross loans and advances analysed by residual contractual maturity</b>		
Maturing within one year	<b>322,201</b>	265,733
One year to three years	<b>-</b>	48,006
Three years to five years	<b>8,163</b>	44
Over five years	<b>5,978</b>	5,875
	<b>336,342</b>	319,658
<b>(iv) Loans and advances analysed by their economic purposes</b>		
Working capital	<b>33,860</b>	53,882
Purchase of securities	<b>302,180</b>	265,451
Purchase of transport vehicles	<b>126</b>	126
Purchase of landed properties	<b>176</b>	199
	<b>336,342</b>	319,658
<b>(v) Gross loans and advances analysed by geographical distribution</b>		
Malaysia	<b>336,342</b>	319,658
<b>(vi) Impaired loans and advances</b>		
<b>(a) Movements in impaired loans and advances</b>		
At 1 July	<b>6,522</b>	6,898
Impaired during the financial year	<b>21</b>	34,066
Amount written-back during the financial year	<b>(6,278)</b>	(34,442)
At 30 June	<b>265</b>	6,522

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vi) Impaired loans and advances (continued)</b>		
<b>(b) By economic purposes</b>		
Purchase of transport vehicles	126	126
Purchase of landed properties	139	155
Purchase of securities	-	366
Working capital	-	5,875
	<b>265</b>	<b>6,522</b>

**(vii) Movements in expected credit losses:**

<b>The Group and the Bank</b>	<b>12 Months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL not credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total ECL RM'000</b>
At 1 July 2020	656	1	2,978	3,635
Transferred to Stage 1	223	(13)	(210)	-
Transferred to Stage 2	(13)	2,342	(2,329)	-
New financial assets originated	12	1	-	13
Financial assets derecognised	(3)	-	-	(3)
Allowance made	105	79	2	186
Allowance written-back	(717)	(2,216)	(315)	(3,248)
At 30 June 2021	<b>263</b>	<b>194</b>	<b>126</b>	<b>583</b>
At 1 July 2019	140	1	3,214	3,355
Transferred to Stage 1	6	(6)	-	-
Transferred to Stage 2	(6)	6	-	-
Transferred to Stage 3	(11)	-	11	-
New financial assets originated	602	-	2,657	3,259
Financial assets derecognised	(2)	-	(3,088)	(3,090)
Allowance made	137	1	1,839	1,977
Allowance written-back	(210)	(1)	(1,655)	(1,866)
At 30 June 2020	<b>656</b>	<b>1</b>	<b>2,978</b>	<b>3,635</b>

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**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	<b>195,735</b>	234,383
Impaired accounts	<b>5,247</b>	3,651
	<b>200,982</b>	238,034
Less: Expected credit losses	<b>(1,188)</b>	(2,026)
	<b>199,794</b>	236,008

**13. Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due from holding company	<b>130</b>	130	<b>130</b>	130
Deposits and prepayments	<b>12,587</b>	12,652	<b>12,587</b>	12,645
Fee income receivables	<b>5,202</b>	6,175	<b>5,202</b>	6,175
Collaterals pledged for derivative transactions	<b>7,227</b>	17,673	<b>7,227</b>	17,673
Treasury related receivables	<b>20,624</b>	-	<b>20,624</b>	-
Other receivables	<b>2,308</b>	2,465	<b>2,307</b>	2,465
	<b>48,078</b>	39,095	<b>48,077</b>	39,088
Less: Expected credit losses	<b>(1,942)</b>	(1,428)	<b>(1,942)</b>	(1,428)
	<b>46,136</b>	37,667	<b>46,135</b>	37,660

**14. Valuation of property and equipment**

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

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**EXPLANATORY NOTES**

**15. Deposits from customers**

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	<b>701,538</b>	737,747
(i) The deposits are sourced from the following customers:		
Government & statutory bodies	530,754	515,109
Business enterprises	157,569	207,466
Individuals	13,215	15,172
	<b>701,538</b>	737,747
(ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	701,538	720,239
- six months to one year	-	17,508
	<b>701,538</b>	737,747

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

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	209,916	228,601
Licensed investment banks	101,016	75,304
Other financial institutions	1,738,490	1,769,306
	<b>2,049,422</b>	2,073,211



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**EXPLANATORY NOTES**

**17. Derivative financial assets/(liabilities)**

	<b>The Group and the Bank</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>30.06.2021</b>			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- interest rate swaps	3,515,000	26,970	(38,673)
- cross currency swaps	82,995	2,791	-
(ii) Foreign exchange related contracts:			
- foreign currency swaps	1,048,158	2,814	(238)
- foreign currency forwards	311,456	1,812	(501)
- foreign currency spots	23,611	23	-
(iii) Equity related contracts:			
- Call options	200	84	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(1,644)
	<b>5,051,420</b>	<b>34,494</b>	<b>(41,056)</b>
<b>30.06.2020</b>			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- interest rate swaps	4,350,000	47,834	(74,171)
- cross currency swaps	85,700	557	-
(ii) Foreign exchange related contracts:			
- foreign currency swaps	1,225,578	6,086	(4,567)
- foreign currency forwards	258,331	480	(372)
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(2,510)
	<b>5,989,609</b>	<b>54,957</b>	<b>(81,620)</b>

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**EXPLANATORY NOTES**

**18. Other liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to related companies	14	14	14	14
Remisiers' trust deposits	16,392	13,465	16,392	13,465
Treasury related payables	42,465	40,099	42,465	40,099
Advance payments received for corporate exercise	-	248	-	248
Other payables and accrued liabilities	74,525	62,300	72,883	60,897
Provision for post employment benefits	218	215	218	215
	<b>133,614</b>	<b>116,341</b>	<b>131,972</b>	<b>114,938</b>

**19. Subordinated obligations**

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
RM100.0 million Tier 2 subordinated notes, at par	100,000	100,000
Add: Interest payable	197	185
	<b>100,197</b>	<b>100,185</b>
Less: Unamortised discounts	(5)	(7)
	<b>100,192</b>	<b>100,178</b>

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

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

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

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

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**EXPLANATORY NOTES**

**20a. Interest income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	<b>3,452</b>	3,065	<b>14,302</b>	14,012
Money at call and deposit placements with financial institutions	<b>350</b>	2,059	<b>4,364</b>	8,803
Financial investments at FVOCI	<b>8,736</b>	9,461	<b>35,464</b>	40,309
Financial investments at amortised cost	<b>8,255</b>	7,944	<b>31,157</b>	29,261
Others	<b>4,450</b>	6,216	<b>17,126</b>	18,200
<b>Total interest income</b>	<b>25,243</b>	<b>28,745</b>	<b>102,413</b>	<b>110,585</b>

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	<b>3,452</b>	3,065	<b>14,302</b>	14,012
Money at call and deposit placements with financial institutions	<b>317</b>	2,046	<b>4,280</b>	8,734
Financial investments at FVOCI	<b>8,736</b>	9,461	<b>35,464</b>	40,309
Financial investments at amortised cost	<b>8,255</b>	7,944	<b>31,157</b>	29,261
Others	<b>4,450</b>	6,216	<b>17,126</b>	18,200
<b>Total interest income</b>	<b>25,210</b>	<b>28,732</b>	<b>102,329</b>	<b>110,516</b>

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

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Financial assets at FVTPL	<b>8,120</b>	8,956	<b>37,423</b>	39,188

**21. Interest expense**

	Individual Quarter		The Group and the Bank Cumulative Months Ended	
	Current quarter ended	Last year's quarter ended	Current year ended	Last year's ended
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Deposits and placements of banks and other financial institutions	<b>1,095</b>	3,654	<b>5,120</b>	19,259
Deposits from customers	<b>8,891</b>	11,146	<b>38,982</b>	60,027
Derivative financial instruments	<b>9,909</b>	7,054	<b>41,500</b>	18,655
Subordinated obligations	<b>1,055</b>	1,054	<b>4,232</b>	5,262
Lease liabilities	<b>189</b>	102	<b>808</b>	950
Others	<b>8</b>	22	<b>5</b>	103
	<b>21,147</b>	23,032	<b>90,647</b>	104,256

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**22. Non-interest income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2021 RM'000</b>	<b>Last year's quarter ended 30.06.2020 RM'000</b>	<b>Current year ended 30.06.2021 RM'000</b>	<b>Last year's ended 30.06.2020 RM'000</b>
<b><u>Fee and commission income:</u></b>				
Corporate advisory fees	<b>1,942</b>	594	<b>6,626</b>	3,385
Arranger fees	<b>823</b>	513	<b>3,856</b>	3,365
Underwriting commissions	-	-	<b>129</b>	188
Placement fees	<b>372</b>	72	<b>13,726</b>	8,353
Brokerage income	<b>24,326</b>	28,409	<b>135,265</b>	76,541
Fees on loans and advances	<b>253</b>	39	<b>494</b>	925
Commission from future contracts	<b>165</b>	302	<b>821</b>	1,611
Other fee income	<b>1,300</b>	1,055	<b>8,062</b>	8,865
	<b>29,181</b>	30,984	<b>168,979</b>	103,233
<b><u>Net income from securities</u></b>				
Net realised (loss)/gain arising from sale of:				
- financial assets at FVTPL	<b>(946)</b>	(7,882)	<b>5,006</b>	3,908
- financial investments at FVOCI	<b>(2,342)</b>	4,070	<b>12,931</b>	26,819
- derivative financial instruments	<b>1,866</b>	(8,483)	<b>(27,187)</b>	39,562
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	<b>1,592</b>	12,169	<b>(4,435)</b>	(133)
- derivative financial instruments	<b>(1,441)</b>	6,063	<b>19,532</b>	(17,758)
Dividend income from:				
- financial assets at FVTPL	<b>116</b>	518	<b>884</b>	1,523
Net unrealised loss on fair value changes arising from fair value hedges				
	<b>(431)</b>	(558)	<b>(2,068)</b>	(558)
	<b>(1,586)</b>	5,897	<b>4,663</b>	53,363
<b><u>Other income:</u></b>				
Foreign exchange gain/(loss)	<b>117</b>	1,880	<b>23,877</b>	(32,245)
Other non-operating income	<b>358</b>	3	<b>387</b>	24
	<b>475</b>	1,883	<b>24,264</b>	(32,221)
Total non-interest income	<b>28,070</b>	38,764	<b>197,906</b>	124,375

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

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Fee and commission income:</u></b>				
Corporate advisory fees	<b>1,942</b>	594	<b>6,626</b>	3,385
Arranger fees	<b>823</b>	513	<b>3,856</b>	3,365
Underwriting commissions	-	-	<b>129</b>	188
Placement fees	<b>372</b>	72	<b>13,726</b>	8,353
Brokerage income	<b>24,326</b>	28,409	<b>135,265</b>	76,541
Fees on loans and advances	<b>253</b>	39	<b>494</b>	925
Commission from future contracts	<b>165</b>	302	<b>821</b>	1,611
Other fee income	<b>1,228</b>	983	<b>7,863</b>	8,657
	<b>29,109</b>	30,912	<b>168,780</b>	103,025
<b><u>Net income from securities</u></b>				
Net realised (loss)/gain arising from sale of:				
- financial assets at FVTPL	<b>(946)</b>	(7,883)	<b>5,006</b>	3,907
- financial investments at FVOCI	<b>(2,342)</b>	4,070	<b>12,931</b>	26,819
- derivative financial instruments	<b>1,866</b>	(8,483)	<b>(27,187)</b>	39,562
Net unrealised gain/(loss) on revaluation of:				
- financial assets at FVTPL	<b>1,591</b>	12,170	<b>(4,436)</b>	(132)
- derivative financial instruments	<b>(1,441)</b>	6,063	<b>19,532</b>	(17,758)
Dividend income from:				
- financial assets at FVTPL	<b>116</b>	518	<b>882</b>	1,515
- subsidiaries	-	-	-	300
Net unrealised loss on fair value changes arising from fair value hedges				
	<b>(431)</b>	(558)	<b>(2,068)</b>	(558)
	<b>(1,587)</b>	5,897	<b>4,660</b>	53,655
<b><u>Other income:</u></b>				
Foreign exchange gain/(loss)	<b>117</b>	1,880	<b>23,877</b>	(32,245)
Other non-operating income	<b>358</b>	3	<b>387</b>	24
	<b>475</b>	1,883	<b>24,264</b>	(32,221)
Total non-interest income	<b>27,997</b>	38,692	<b>197,704</b>	124,459

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**EXPLANATORY NOTES**

**23. Overhead expenses**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	13,133	23,129	70,742	69,654
Promotion and marketing related expenses	258	30	541	1,122
Establishment related expenses	4,045	3,450	16,473	13,939
General administrative expenses	4,422	4,869	19,289	18,242
	<b>21,858</b>	<b>31,478</b>	<b>107,045</b>	<b>102,957</b>
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	12,178	21,747	64,966	62,228
Defined contribution plan	1,681	1,668	6,684	6,596
Other employee benefits	(726)	(286)	(908)	830
	<b>13,133</b>	<b>23,129</b>	<b>70,742</b>	<b>69,654</b>
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	-	-	20	22
Entertainment and business improvement	256	27	483	968
Others	2	3	38	132
	<b>258</b>	<b>30</b>	<b>541</b>	<b>1,122</b>
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	792	633	3,003	2,653
Amortisation of intangible assets	291	313	1,202	1,327
Depreciation of ROU assets	853	820	3,409	3,436
Rental expenses	13	9	84	78
Others	2,096	1,675	8,775	6,445
	<b>4,045</b>	<b>3,450</b>	<b>16,473</b>	<b>13,939</b>
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	973	926	5,364	2,944
Teletransmission expenses	1,593	1,797	6,600	7,165
Auditors' remuneration				
- Statutory audit fees	134	30	290	253
- Regulatory related fees	23	23	23	23
- Tax compliance fee	15	15	15	15
- Other fees	120	20	120	20
Legal and professional fees	656	1,022	2,773	3,930
Property and equipment written off	-	-	22	-
Others	908	1,036	4,082	3,892
	<b>4,422</b>	<b>4,869</b>	<b>19,289</b>	<b>18,242</b>

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**EXPLANATORY NOTES**

**23. Overhead expenses (continued)**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	<b>13,109</b>	23,108	<b>70,626</b>	69,534
Promotion and marketing related expenses	<b>258</b>	30	<b>541</b>	1,122
Establishment related expenses	<b>4,041</b>	3,461	<b>16,447</b>	13,911
General administrative expenses	<b>4,414</b>	4,863	<b>19,269</b>	18,222
	<b>21,822</b>	31,462	<b>106,883</b>	102,789
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>12,158</b>	21,729	<b>64,868</b>	62,126
Defined contribution plan	<b>1,678</b>	1,665	<b>6,667</b>	6,578
Other employee benefits	<b>(727)</b>	(286)	<b>(909)</b>	830
	<b>13,109</b>	23,108	<b>70,626</b>	69,534
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	-	-	<b>20</b>	22
Entertainment and business improvement	<b>256</b>	27	<b>483</b>	968
Others	<b>2</b>	3	<b>38</b>	132
	<b>258</b>	30	<b>541</b>	1,122
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>792</b>	633	<b>3,003</b>	2,653
Amortisation of intangible assets	<b>291</b>	313	<b>1,202</b>	1,327
Depreciation of ROU assets	<b>853</b>	820	<b>3,409</b>	3,436
Rental expenses	<b>9</b>	17	<b>68</b>	62
Others	<b>2,096</b>	1,678	<b>8,765</b>	6,433
	<b>4,041</b>	3,461	<b>16,447</b>	13,911
<b>(iv) General administrative expenses comprise the following:</b>				
Management fee	<b>971</b>	914	<b>5,360</b>	2,940
Teletransmission expenses	<b>1,593</b>	1,797	<b>6,600</b>	7,165
Auditors' remuneration				
- Statutory audit fees	<b>132</b>	28	<b>283</b>	245
- Regulatory related fees	<b>23</b>	23	<b>23</b>	23
- Tax compliance fee	<b>15</b>	15	<b>15</b>	15
- Other fees	<b>120</b>	20	<b>120</b>	20
Legal and professional fees	<b>654</b>	1,020	<b>2,767</b>	3,923
Property and equipment written off	-	-	<b>22</b>	-
Others	<b>906</b>	1,046	<b>4,079</b>	3,891
	<b>4,414</b>	4,863	<b>19,269</b>	18,222



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

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Expected credit losses				
- Loans and advances	<b>198</b>	1,294	<b>3,052</b>	(280)
Impaired loans and advances written-off	-	-	<b>(26)</b>	-
	<b>198</b>	1,675	<b>3,026</b>	(280)

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

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Financial investments				
(i) Financial investments at FVOCI	<b>37</b>	(175)	<b>(31)</b>	(198)
(ii) Financial investments at amortised cost	<b>3</b>	-	<b>3</b>	21
	<b>40</b>	(175)	<b>(28)</b>	(177)
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	<b>(92)</b>	(82)	<b>838</b>	(1,806)
- Impaired clients' and brokers' balances recovered	-	47	-	110
(ii) Other assets	<b>6</b>	-	<b>(514)</b>	(58)
	<b>(86)</b>	(35)	<b>324</b>	(1,754)
	<b>(46)</b>	(210)	<b>296</b>	(1,931)

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**EXPLANATORY NOTES**

**26. Related party transactions**

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

**Credit transactions and exposure with connected parties**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	2,226	5,723
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	3.17%	3.17%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<b>0.00%</b>	<b>0.00%</b>

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**EXPLANATORY NOTES**

**27. Commitments and contingencies**

In the normal course of business, the Bank makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these.

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>Principal Amount RM'000</b>	<b>Principal Amount RM'000</b>
<b>Commitments and Contingent Liabilities</b>		
Direct Credit Substitutes	<b>1,000</b>	1,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	52,352
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	<b>30,000</b>	30,000
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	<b>911,550</b>	894,438
	<b>942,550</b>	977,790
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	<b>1,592,995</b>	1,365,000
- Over one year to five years	<b>2,075,000</b>	3,030,700
- Over five years	-	110,000
Foreign exchange related contracts:		
- One year or less	<b>1,383,225</b>	1,483,909
Equity related contracts:		
- Over one year to five years	<b>200</b>	-
	<b>5,051,420</b>	5,989,609
	<b>5,993,970</b>	6,967,399

**EXPLANATORY NOTES**

**28. Fair value of financial instruments**

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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**EXPLANATORY NOTES**

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

Determination of fair value and fair value hierarchy

<b>The Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30.06.2021</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at FVTPL	7,580	515,839	-	523,419
- Money market instruments	-	466,127	-	466,127
- Quoted securities	7,580	-	-	7,580
- Unquoted securities	-	49,712	-	49,712
Financial investments at FVOCI	-	1,350,820	-	1,350,820
- Money market instruments	-	391,627	-	391,627
- Unquoted securities	-	959,193	-	959,193
Derivative financial assets	-	34,494	-	34,494
	<b>7,580</b>	<b>1,901,153</b>	<b>-</b>	<b>1,908,733</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	41,056	-	41,056
<b>30.06.2020</b>				
<b>Financial assets</b>				
Financial assets at FVTPL	18,121	632,119	1,432	651,672
- Money market instruments	-	588,325	-	588,325
- Quoted securities	18,121	-	-	18,121
- Unquoted securities	-	43,794	1,432	45,226
Financial investments at FVOCI	-	1,266,529	-	1,266,529
- Money market instruments	-	124,569	-	124,569
- Unquoted securities	-	1,141,960	-	1,141,960
Derivative financial assets	-	54,957	-	54,957
	<b>18,121</b>	<b>1,953,605</b>	<b>1,432</b>	<b>1,973,158</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	81,620	-	81,620

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**EXPLANATORY NOTES**

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

Determination of fair value and fair value hierarchy (continued)

<b>The Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30.06.2021</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at FVTPL	7,384	515,839	-	523,223
- Money market instruments	-	466,127	-	466,127
- Quoted securities	7,384	-	-	7,384
- Unquoted securities	-	49,712	-	49,712
Financial investments at FVOCI	-	1,350,820	-	1,350,820
- Money market instruments	-	391,627	-	391,627
- Unquoted securities	-	959,193	-	959,193
Derivative financial assets	-	34,494	-	34,494
	<b>7,384</b>	<b>1,901,153</b>	<b>-</b>	<b>1,908,537</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	41,056	-	41,056
<b>30.06.2020</b>				
<b>Financial assets</b>				
Financial assets at FVTPL	18,033	632,119	1,432	651,584
- Money market instruments	-	588,325	-	588,325
- Quoted securities	18,033	-	-	18,033
- Unquoted securities	-	43,794	1,432	45,226
Financial investments at FVOCI	-	1,266,529	-	1,266,529
- Money market instruments	-	124,569	-	124,569
- Unquoted securities	-	1,141,960	-	1,141,960
Derivative financial assets	-	54,957	-	54,957
	<b>18,033</b>	<b>1,953,605</b>	<b>1,432</b>	<b>1,973,070</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	81,620	-	81,620

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

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**EXPLANATORY NOTES**

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

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

	<b>The Group and the Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets at FVTPL</b>		
At 1 July	1,432	1,365
Fair value changes recognised in income statements	-	67
Disposed during the financial period	<b>(1,432)</b>	-
At 30 June	<b>-</b>	<b>1,432</b>

**29. Capital adequacy**

The risk-weighted assets ("RWA") of the Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

(a) The capital adequacy ratios of the Group and the Bank are analysed as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</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>50.556%</b>	42.121%	<b>50.575%</b>	42.128%
Tier 1 capital ratio	<b>50.556%</b>	42.121%	<b>50.575%</b>	42.128%
Total capital ratio	<b>61.379%</b>	52.751%	<b>61.409%</b>	52.768%
<b>After deducting proposed dividends:</b> <sup>(1)</sup>				
CET1 capital ratio	<b>34.419%</b>	35.498%	<b>34.419%</b>	35.500%
Tier 1 capital ratio	<b>34.419%</b>	35.498%	<b>34.419%</b>	35.500%
Total capital ratio	<b>45.241%</b>	46.129%	<b>45.253%</b>	46.139%

Note:

<sup>(1)</sup> Proposed dividends of RM156,750,000 (30.06.2020: RM66,000,000).

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**EXPLANATORY NOTES**

**29. Capital adequacy (continued)**

(b) The components of CET1, Tier 1 and total capital of the Group and the Bank are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CET1 Capital</b>				
Paid-up ordinary share capital	<b>252,950</b>	252,950	<b>252,950</b>	252,950
Retained profits	<b>389,554</b>	279,903	<b>389,376</b>	279,828
Other reserves	<b>3,364</b>	9,349	<b>3,364</b>	9,349
Less: goodwill and intangibles	<b>(31,745)</b>	(31,380)	<b>(31,745)</b>	(31,380)
Less: deferred tax assets	<b>(121,199)</b>	(85,925)	<b>(121,199)</b>	(85,925)
Less: investment in subsidiary companies	-	-	<b>(200)</b>	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	<b>(1,850)</b>	(5,142)	<b>(1,850)</b>	(5,142)
<b>Total CET1 Capital</b>	<b>491,074</b>	419,755	<b>490,696</b>	419,480
<b>Tier 1 Capital</b>	<b>491,074</b>	419,755	<b>490,696</b>	419,480
<b>Tier 2 Capital</b>				
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves <sup>(2)</sup>	<b>5,120</b>	5,940	<b>5,115</b>	5,940
Subordinated obligations	<b>100,000</b>	100,000	<b>100,000</b>	100,000
<b>Total Tier 2 Capital</b>	<b>105,120</b>	105,940	<b>105,115</b>	105,940
<b>Total Capital</b>	<b>596,194</b>	525,695	<b>595,811</b>	525,420

Note:

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

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>409,572</b>	476,447	<b>409,205</b>	476,122
Market risk	<b>248,500</b>	257,343	<b>248,108</b>	257,167
Operational risk	<b>313,267</b>	262,761	<b>312,925</b>	262,434
	<b>971,339</b>	996,551	<b>970,238</b>	995,723



**EXPLANATORY NOTES**

**30. Significant events during the financial quarter ended 30 June 2021**

COVID-19 pandemic

The World Health Organisation declared the outbreak of Covid-19 as a global pandemic in March 2020. The direct and indirect effects of the Covid-19 outbreak have impacted the global economy, markets and the Group's and the Bank's counterparties and clients.

On 12 May 2021, the Government of Malaysia re-imposed the third movement control order ("MCO 3.0") to curb the soaring number of Covid-19 cases. Subsequently, the Government of Malaysia announced a RM40 billion PERMERKASA Plus stimulus package followed by RM150 billion PEMULIH package to mitigate the potential impact of total lockdowns. The Group and the Bank are unable to predict the Covid-19's potential future direct or indirect effects. However, the Group and the Bank are taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

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

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

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

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

**33. Review of performance for the financial quarter ended 30 June 2021 against the corresponding financial quarter**

For the current financial quarter ended 30 June 2021, the Group recorded a profit before tax of RM18.6 million, as compared to a RM23.4 million recorded in the corresponding financial quarter. The decrease in profit of RM4.8 million was primarily attributable to lower profit contribution from its Stockbroking Division Division.

## HONG LEONG INVESTMENT BANK BERHAD

*Registration No. 197001000928 (10209-W)*

### EXPLANATORY NOTES

#### 34. Prospects for 2021

BNM has maintained the Overnight Policy Rate (“OPR”) at 1.75% on 8 July 2021 but the growth outlook is still subject to significant downside risks mainly from imposition of tighter containment measures as well as a weaker than expected global growth recovery. There is potentially OPR cut moving forward should the pandemic situation causes further disruption to economic activities.

Internationally, the bullish outlook on economic growth in advanced nations (such as the United States and the United Kingdom) which had achieved high vaccination rates was somewhat dampened by concern of a new virus variant. This latest development will effectively delay the withdrawal of monetary easing measures by more central banks.

In summary the market is currently taking a more cautious stance compared to just 1 to 2 months ago. The key indicators going forward will be the efficacy rate of vaccinations in the respective countries.

The COVID-19 outbreak and consequential Movement Control Order (“MCO”) had served as an important reminder for us to sharpen our business continuity measures and to further accelerate innovation in the way we conduct our business. The movement restrictions had also led to a surge in demand for digital capabilities, products and services. The Group will continue to be proactive in harnessing our digital initiatives and technologies to extend our reach and build an operating environment that our stakeholders will expect. To achieve this, we will continue to use technology, both, on the frontline and backroom processes to strengthen our resiliency and improve our efficiency and productivity after the new normal.

As the pace of digitalisation will continue to grow, we will continue to emphasise efforts to enhance and tighten our cybersecurity measures. The Group is also progressively changing its way of doing business to cope with the new normal. This will mean putting more focus on serving our clients through digital channels. With digitalisation, there will be heightened risks that our cybersecurity team will need to manage in order to support our business strategies while protecting our business and clients.

The Group will continue to execute our business strategies, sharpen our business continuity measures and drive our digital solutions to manage cost efficiency and productivity with the objective of delivering long-term sustainable growth as well as increase our shareholder value.