

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	The Group		The Bank	
		As at 31.03.2015	As at 30.06.2014	As at 31.03.2015	As at 30.06.2014
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		497,243	674,965	496,858	674,550
Reverse repurchase agreements		46,348	280,176	46,348	280,176
Deposits and placements with banks and other financial institutions		265,546	331,159	265,253	330,873
Financial assets at fair value through profit or loss	8	952,893	868,264	952,893	868,264
Financial investments available-for-sale	9	682,351	636,585	682,351	636,585
Financial investments held-to-maturity	10	360,281	358,413	360,281	358,413
Derivative financial assets	17	51,463	40,951	51,463	40,951
Loans and advances	11	376,485	431,414	376,485	431,414
Clients' and brokers' balances	12	316,800	284,378	316,800	284,378
Other assets	13	49,685	46,064	49,677	46,055
Statutory deposits with Bank Negara Malaysia		49,000	30,750	49,000	30,750
Investment in subsidiaries		-	-	383	383
Deferred tax assets		102,729	103,671	102,729	103,671
Property and equipment		4,802	5,487	4,802	5,487
Intangible assets - computer software		1,736	992	1,736	992
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,786,348	4,122,255	3,786,045	4,121,928
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	835,619	631,566	835,619	631,566
Deposits and placements of banks and other financial institutions	16	1,900,697	2,054,960	1,900,697	2,054,960
Repurchased agreements		93,148	179,087	93,148	179,087
Derivative financial liabilities	17	84,361	24,773	84,361	24,773
Clients' and brokers' balances		262,964	250,437	262,964	250,437
Provision for tax		1	4	-	-
Other liabilities	18	97,697	507,814	97,704	507,832
Subordinated obligations		50,855	-	50,855	-
TOTAL LIABILITIES		3,325,342	3,648,641	3,325,348	3,648,655
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Redeemable preference shares		1,631	1,631	1,631	1,631
Reserves		294,375	306,983	294,066	306,642
TOTAL EQUITY		461,006	473,614	460,697	473,273
TOTAL EQUITY AND LIABILITIES		3,786,348	4,122,255	3,786,045	4,121,928
COMMITMENTS AND CONTINGENCIES					
	24	8,257,148	6,116,545	8,257,148	6,116,545
Net assets per ordinary share (RM)		2.79	2.87	2.79	2.87

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 2014.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.03.2015	31.03.2014	31.03.2015	31.03.2014
		RM'000	RM'000	RM'000	RM'000
Interest income	19	32,577	25,198	98,005	73,593
Interest expense	20	(22,154)	(18,035)	(65,033)	(52,052)
Net interest income		10,423	7,163	32,972	21,541
Non-interest income	21	24,044	27,508	72,713	104,126
Net income		34,467	34,671	105,685	125,667
Other operating expenses	22	(17,839)	(26,186)	(58,456)	(84,087)
Net operating profit		16,628	8,485	47,229	41,580
(Allowance for)/writeback of impairment losses on loans and advances and other losses	23	(237)	129	(341)	(67)
Profit before taxation		16,391	8,614	46,888	41,513
Taxation		29	8,046	(9)	20,250
Net profit for the financial period		16,420	16,660	46,879	61,763
Earnings per share (sen)					
- Basic		10.0	10.1	28.4	37.4
- Diluted		10.0	10.1	28.4	37.4

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 2014.

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 2015

	Individual Quarter		The Group	
	Current	Last year's	Cumulative Months Ended	Last
	quarter ended	quarter ended	Current	year's ended
	31.03.2015	31.03.2014	year ended	year's ended
	RM'000	RM'000	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	16,420	16,660	46,879	61,763
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	3,044	2,085	3,744	(1,459)
Income tax relating to net fair value changes on financial investments available-for-sale	(761)	(521)	(936)	365
Other comprehensive income/(expense) for the financial period, net of tax	2,283	1,564	2,808	(1,094)
Total comprehensive income for the financial period, net of tax	18,703	18,224	49,687	60,669

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 2014.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

	Note	The Bank			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.03.2015	31.03.2014	31.03.2015	31.03.2014
		RM'000	RM'000	RM'000	RM'000
Interest income	19	32,577	25,198	98,005	73,585
Interest expense	20	(22,154)	(18,035)	(65,033)	(52,052)
Net interest income		10,423	7,163	32,972	21,533
Non-interest income	21	24,007	27,471	72,598	103,968
Net income		34,430	34,634	105,570	125,501
Other operating expenses	22	(17,786)	(26,138)	(58,313)	(83,929)
Net operating profit		16,644	8,496	47,257	41,572
(Allowance for)/writeback of impairment losses on loans and advances and other losses	23	(237)	129	(341)	(67)
Profit before taxation		16,407	8,625	46,916	41,505
Taxation		31	8,054	(5)	20,267
Net profit for the financial period		16,438	16,679	46,911	61,772
Earnings per share (sen)					
- Basic		10.0	10.1	28.4	37.4
- Diluted		10.0	10.1	28.4	37.4

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 2014.

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 2015

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	16,438	16,679	46,911	61,772
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	3,044	2,085	3,744	(1,459)
Income tax relating to net fair value changes on financial investments available-for-sale	(761)	(521)	(936)	365
Other comprehensive income/(expense) for the financial period, net of tax	2,283	1,564	2,808	(1,094)
Total comprehensive income for the financial period, net of tax	18,721	18,243	49,719	60,678

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 2014.

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 2015

	Note	Attributable to owner of the parent					Retained profits/ losses (accumulated)	Total
		Share capital	Redeemable Preference share	Share premium	Statutory reserve	Fair value reserve		
<u>The Group</u>		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2014		165,000	1,631	87,950	180,479	(690)	39,244	473,614
Net profit for the financial period		-	-	-	-	-	46,879	46,879
Other comprehensive income, net of tax		-	-	-	-	2,808	-	2,808
Total comprehensive income for the financial period		-	-	-	-	2,808	46,879	49,687
Dividend paid		-	-	-	-	-	(62,295)	(62,295)
At 31 March 2015		165,000	1,631	87,950	180,479	2,118	23,828	461,006
At 1 July 2013		165,000	1,631	87,950	153,097	954	(14,875)	393,757
Net profit for the financial period		-	-	-	-	-	61,763	61,763
Other comprehensive expense, net of tax		-	-	-	-	(1,094)	-	(1,094)
Total comprehensive (expense)/income for the financial period		-	-	-	-	(1,094)	61,763	60,669
Dividend paid		-	-	-	-	-	(28,000)	(28,000)
At 31 March 2014		165,000	1,631	87,950	153,097	(140)	18,888	426,426

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 2014.

HONG LEONG INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

	Non-distributable				Distributable		Total
	Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Retained profits/ losses (accumulated) RM'000	
<u>The Bank</u>							
At 1 July 2014	165,000	1,631	87,950	180,479	(690)	38,903	473,273
Net profit for the financial period	-	-	-	-	-	46,911	46,911
Other comprehensive income, net of tax	-	-	-	-	2,808	-	2,808
Total comprehensive income for the financial period	-	-	-	-	2,808	46,911	49,719
Dividend paid	-	-	-	-	-	(62,295)	(62,295)
At 31 March 2015	165,000	1,631	87,950	180,479	2,118	23,519	460,697
At 1 July 2013	165,000	1,631	87,950	153,097	954	(15,241)	393,391
Net profit for the financial period	-	-	-	-	-	61,772	61,772
Other comprehensive expense, net of tax	-	-	-	-	(1,094)	-	(1,094)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(1,094)	61,772	60,678
Dividend paid	-	-	-	-	-	(28,000)	(28,000)
At 31 March 2014	165,000	1,631	87,950	153,097	(140)	18,531	426,069

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 2014.

HONG LEONG INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

	The Group		The Bank	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	46,888	41,513	46,916	41,505
Adjustments for non-cash items	(20,845)	(37,052)	(20,845)	(37,052)
Operating profit before changes in working capital	26,043	4,461	26,071	4,453
Changes in working capital:				
Net changes in operating assets	235,271	120,048	235,277	120,079
Net changes in operating liabilities	(433,572)	(491,984)	(433,583)	(491,934)
Net income tax (paid)/refund	(7)	3	-	-
Net cash used in operating activities	(172,265)	(367,472)	(172,235)	(367,402)
Net cash generated from investing activities	7,028	31,324	7,028	31,850
Net cash used in financing activities	(12,485)	(28,000)	(12,485)	(28,000)
Net changes in cash and cash equivalents	(177,722)	(364,148)	(177,692)	(363,552)
Cash and cash equivalents at beginning of the period	674,965	556,269	674,550	554,702
Cash and cash equivalents at end of the period	497,243	192,121	496,858	191,150
Cash and cash equivalents comprise:				
Cash and short term funds	497,243	192,121	496,858	191,150

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 2014.

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

1. Basis of preparation

The condensed financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ("MFRS") 134, 'Interim Financial Reporting' issued by MASB and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2014.

The unaudited condensed financial statements for the financial period ended 31 March 2015 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale, and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies and presentation adopted by the Group and the Bank for the unaudited condensed financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2014, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2014:

- Amendment to MFRS 132 "Financial instruments: Presentation"
- Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"
- IC Interpretation 21 "Levies"

The adoption of the new standards, amendments to published standards and interpretations are not expected to have material financial impact on the financial results of the Group and the Bank.

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 2015.

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 2015.

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EXPLANATORY NOTES

6. Issuance and repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 March 2015.

7. Dividends

There were no dividends paid during the financial quarter ended 31 March 2015.

8. Financial assets at fair value through profit or loss

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Investment Issues	152,578	-
Negotiable instruments of deposits	80,143	403,428
Bankers' acceptances	193,540	316,639
	<u>426,261</u>	<u>720,067</u>
Quoted securities		
In Malaysia:		
Shares	12,785	8,360
Unquoted securities		
Foreign currency bonds	19,924	33,777
Private and Islamic debt securities	492,852	106,060
	<u>512,776</u>	<u>139,837</u>
	<u>951,822</u>	<u>868,264</u>
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	1,071	-
	<u>952,893</u>	<u>868,264</u>

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

9. Financial investments available-for-sale

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	30,388	30,512
Malaysian Government Investment Issues	60,323	139,398
Cagamas bonds	15,107	15,063
	105,818	184,973
Unquoted securities		
Shares	245	245
Foreign currency bonds	170,802	72,619
Private and Islamic debt securities	405,486	378,748
	576,533	451,612
	682,351	636,585

10. Financial investments held-to-maturity

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	50,657	51,316
Malaysian Government Investment Issues	20,213	25,517
Negotiable instruments of deposits	-	51,499
	70,870	128,332
Unquoted securities		
Foreign currency bonds	223,321	194,666
Private and Islamic debt securities	66,090	35,415
	289,411	230,081
	360,281	358,413

11. Loans and advances

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
Term loan financing	193,402	140,112
Share margin financing	184,068	291,384
Staff loans	80	100
Other loans	680	1,319
Gross loans and advances	378,230	432,915
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(111)	(194)
- collective assessment allowance	(1,634)	(1,307)
Total net loans and advances	376,485	431,414

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

		The Group and the Bank	
		31.03.2015	30.06.2014
		RM'000	RM'000
(i)	Gross loans and advances disbursed by type of customers are as follows:		
	Domestic business enterprises		
	- Small and medium enterprises	89,225	72,653
	- Others	129,679	115,866
	Individuals	159,326	244,144
	Foreign entities	-	252
		378,230	432,915
(ii)	Gross loans and advances analysed by interest rate sensitivity are as follows:		
	Variable rate	377,470	385,479
	Fixed rate		
	- Staff housing loans	80	83
	- Other fixed rate loans	680	47,353
		378,230	432,915
(iii)	Gross loans and advances analysed by residual contractual maturity are as follows:		
	Maturing within one year	286,891	365,350
	One year to three years	30,260	3
	Three years to five years	60,380	67,479
	Over five years	699	83
		378,230	432,915
(iv)	Loans and advances analysed by their economic purposes are as follows:		
	Working capital	125,505	140,112
	Purchase of securities	251,966	291,384
	Purchase of transport vehicles	112	157
	Purchase of landed properties	647	1,256
	Others	-	6
		378,230	432,915
(v)	Gross loans and advances analysed by geographical distribution are as follows:		
	Malaysia	378,230	432,915

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
Balance at beginning of the year	853	1,123
Impaired during the financial period/year	3	156
Amount written-back during the financial period/year	(233)	(426)
Balance at end of the period/year	623	853
(vii) Movements in allowance for loans and advances are as follows:		
Individual assessment allowance		
Balance at beginning of the year	194	252
Allowance made during the financial period/year	-	2
Allowance written back during the financial period/year	(83)	(60)
Balance at end of the period/year	111	194
Collective assessment allowance		
Balance at beginning of the year	1,307	738
Allowance made during the financial period/year	327	569
Balance at end of the period/year	1,634	1,307
(viii) Impaired loans and advances analysed by their economic purposed are as follows:		
Purchase of transport vehicles	111	115
Purchase of landed properties	512	738
	623	853

12. Clients' and brokers' balances

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
Performing accounts	315,974	283,807
Impaired accounts	1,403	956
	317,377	284,763
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(564)	(370)
- collective assessment allowance	(13)	(15)
	316,800	284,378

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

13. Other assets

	The Group		The Bank	
	31.03.2015	30.06.2014	31.03.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	8	7	-	-
Amount due from related companies	346	283	346	283
Deposits and prepayments	5,282	4,533	5,282	4,533
Fee income receivable	12,481	33,943	12,481	33,943
Other receivables	31,568	7,298	31,568	7,296
	49,685	46,064	49,677	46,055

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

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
Fixed Deposit	835,619	631,566
(i) By Type of deposit		
Fixed Deposit	835,619	631,566
(ii) By Type of customer		
Government & statutory bodies	393,421	534,103
Business enterprises	426,138	96,453
Individuals	16,060	1,010
	835,619	631,566
(iii) The maturity structure of fixed deposits is as follows:		
Due within six months	835,619	631,566

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.03.2015	30.06.2014
	RM'000	RM'000
Bank Negara Malaysia	-	96,343
Licensed banks	562,702	553,736
Licensed investment banks	-	52,804
Other financial institutions	1,337,995	1,352,077
	1,900,697	2,054,960

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

17. Derivative financial assets/liabilities

	The Group and the Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
31.03.2015			
Interest rate related contracts:			
- Interest rate swaps	4,059,500	5,397	(20,732)
- Futures	419,989	288	(1,103)
- Cross currency swaps	259,245	6,070	(4,817)
Foreign exchange related contracts:			
- Foreign currency swaps	1,946,650	34,206	(57,582)
- Foreign currency forwards	22,996	103	(101)
- Foreign currency spots	62,960	49	(26)
Equity related contracts:			
- Futures	5,108	-	-
- Call options	11,500	5,350	-
	6,787,948	51,463	(84,361)
30.06.2014			
Interest rate related contracts:			
- Interest rate swaps	2,411,000	9,769	(18,537)
- Futures	494,816	489	-
- Cross currency swaps	64,220	195	(36)
Foreign exchange related contracts:			
- Foreign currency swaps	1,432,090	9,204	(5,969)
- Foreign currency forwards	57,314	14	(207)
- Foreign currency spots	48,165	19	(24)
Equity related contracts:			
- Call options	12,929	21,261	-
	4,520,534	40,951	(24,773)

18. Other liabilities

	The Group		The Bank	
	31.03.2015 RM'000	30.06.2014 RM'000	31.03.2015 RM'000	30.06.2014 RM'000
Amount due to holding company	215	266	215	266
Amount due to a subsidiary companies	-	-	1	153
Amount due to related companies	-	2	-	2
Remisiers' trust deposits	13,298	13,777	13,298	13,777
ESOS liabilities	922	14,624	922	14,624
Advance payments received for corporate exercise	-	416,545	-	416,545
Other payables and accrued liabilities	82,961	62,299	82,967	62,164
Provision for post employment benefits	301	301	301	301
	97,697	507,814	97,704	507,832

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EXPLANATORY NOTES

19. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances	6,187	4,294	18,320	12,168
Money at call and deposit placements with financial institutions	1,838	6,992	12,771	19,868
Financial assets at fair value through profit or loss	9,681	3,999	27,221	14,866
Financial investments available-for-sale	7,908	5,379	21,800	12,975
Financial investments held-to-maturity	2,967	3,598	8,418	10,764
Derivative financial instruments	1,470	673	2,928	2,133
Others	2,526	263	6,547	819
Total interest income	32,577	25,198	98,005	73,593

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances	6,187	4,294	18,320	12,168
Money at call and deposit placements with financial institutions	1,838	6,992	12,771	19,860
Financial assets at fair value through profit or loss	9,681	3,999	27,221	14,866
Financial investments available-for-sale	7,908	5,379	21,800	12,975
Financial investments held-to-maturity	2,967	3,598	8,418	10,764
Derivative financial instruments	1,470	673	2,928	2,133
Others	2,526	263	6,547	819
Total interest income	32,577	25,198	98,005	73,585

20. Interest expense

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	4,816	4,233	13,147	12,690
Deposits from customers	14,403	11,973	44,840	34,091
Derivative financial instruments	2,152	1,751	5,606	4,970
Subordinated notes	649	-	1,045	-
Others	134	78	395	301
Total interest expense	22,154	18,035	65,033	52,052

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EXPLANATORY NOTES

21. Non-interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.03.2015 RM'000	Last year's quarter ended 31.03.2014 RM'000	Current year ended 31.03.2015 RM'000	Last year's ended 31.03.2014 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	1,986	671	9,469	5,248
Arranger fees	2,558	975	5,983	11,559
Underwriting commissions	-	-	-	614
Brokerage income	14,215	14,969	43,907	42,688
Fees on loans and advances	130	718	1,335	1,825
Other fee income	7,497	3,000	13,823	16,403
	26,386	20,333	74,517	78,337
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	3,336	(881)	2,847	(4,496)
- financial investments available-for-sale	1,510	555	1,948	3,323
- financial investments held-to-maturity	-	12	-	12
- derivative financial instruments	5,540	1,578	(393)	4,051
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	4,790	301	314	6,954
- derivative financial instruments	(29,590)	8,957	(31,728)	23,874
Dividend income from:				
- financial assets at fair value through profit or loss	278	335	723	640
	(14,136)	10,857	(26,289)	34,358
<u>Other income:</u>				
Loss on disposal of property and equipment	(5)	-	(6)	-
Gain on liquidation of subsidiaries	2	-	2	-
Foreign exchange gain/(loss)	11,834	(4,096)	24,373	(9,212)
Other non-operating (expense)/income	(37)	414	116	643
	11,794	(3,682)	24,485	(8,569)
	24,044	27,508	72,713	104,126

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EXPLANATORY NOTES

21. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.03.2015 RM'000	Last year's quarter ended 31.03.2014 RM'000	Current year ended 31.03.2015 RM'000	Last year's ended 31.03.2014 RM'000
Fee and commission income:				
Corporate advisory fees	1,986	671	9,469	5,248
Arranger fees	2,558	975	5,983	11,559
Underwriting commissions	-	-	-	614
Brokerage income	14,215	14,969	43,907	42,688
Fees on loans and advances	130	718	1,335	1,825
Other fee income	7,455	2,967	13,703	16,249
	26,344	20,300	74,397	78,183
Net income from securities				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	3,336	(881)	2,847	(4,496)
- financial investments available-for-sale	1,510	555	1,948	3,323
- financial investments held-to-maturity	-	12	-	12
- derivative financial instruments	5,540	1,578	(393)	4,051
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	4,790	301	314	6,954
- derivative financial instruments	(29,590)	8,957	(31,728)	23,874
Dividend income from:				
- financial assets at fair value through profit or loss	278	335	723	640
	(14,136)	10,857	(26,289)	34,358
Other income:				
Loss on disposal of property and equipment	(5)	-	(6)	-
Gain on liquidation of subsidiaries	7	-	7	-
Foreign exchange gain/(loss)	11,834	(4,096)	24,373	(9,212)
Other non-operating (expense)/income	(37)	410	116	639
	11,799	(3,686)	24,490	(8,573)
	24,007	27,471	72,598	103,968

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EXPLANATORY NOTES

22. Other operating expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.03.2015 RM'000	Last year's quarter ended 31.03.2014 RM'000	Current year ended 31.03.2015 RM'000	Last year's ended 31.03.2014 RM'000
Personnel expenses	10,005	18,469	34,040	59,527
Promotion and marketing related expenses	626	516	2,183	1,858
Establishment related expenses	3,632	3,990	11,340	12,020
General administrative expenses	3,576	3,211	10,893	10,682
	17,839	26,186	58,456	84,087
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	8,362	2,615	28,081	26,460
Defined contribution plan	1,462	1,358	4,176	3,906
Option charge arising from ESOS	(525)	14,744	(167)	28,277
Other employee benefits	706	(248)	1,950	884
	10,005	18,469	34,040	59,527
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	5	3	44	254
Entertainment and business improvement	612	472	2,056	1,384
Others	9	41	83	220
	626	516	2,183	1,858
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	437	468	1,347	1,448
Amortisation of intangible assets	222	120	558	366
Rental expenses	1,394	1,442	4,115	4,248
Others	1,579	1,960	5,320	5,958
	3,632	3,990	11,340	12,020
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	67	79	211	244
Legal and professional fees	864	755	2,461	2,650
Others	2,645	2,377	8,221	7,788
	3,576	3,211	10,893	10,682

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EXPLANATORY NOTES

22. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.03.2015 RM'000	Last year's quarter ended 31.03.2014 RM'000	Current year ended 31.03.2015 RM'000	Last year's ended 31.03.2014 RM'000
Personnel expenses	9,973	18,439	33,947	59,439
Promotion and marketing related expenses	626	516	2,183	1,858
Establishment related expenses	3,615	3,982	11,305	11,989
General administrative expenses	3,572	3,201	10,878	10,643
	17,786	26,138	58,313	83,929
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	8,335	2,590	28,002	26,386
Defined contribution plan	1,457	1,353	4,162	3,893
Option charge arising from ESOS	(525)	14,744	(167)	28,277
Other employee benefits	706	(248)	1,950	883
	9,973	18,439	33,947	59,439
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	5	3	44	254
Entertainment and business improvement	612	472	2,056	1,384
Others	9	41	83	220
	626	516	2,183	1,858
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	437	468	1,347	1,448
Amortisation of intangible assets	222	120	558	366
Rental expenses	1,386	1,434	4,091	4,224
Others	1,570	1,960	5,309	5,951
	3,615	3,982	11,305	11,989
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	66	76	206	236
Legal and professional fees	864	755	2,461	2,650
Others	2,642	2,370	8,211	7,757
	3,572	3,201	10,878	10,643

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EXPLANATORY NOTES

23. Allowance for/(writeback of) impairment losses on loans and advances and other losses

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.03.2015 RM'000	Last year's quarter ended 31.03.2014 RM'000	Current year ended 31.03.2015 RM'000	Last year's ended 31.03.2014 RM'000
Allowance for losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial period	-	(1)	-	2
- written back during the financial period	1	(9)	(83)	(59)
(b) Collective assessment allowance made/(written back) during the financial period	112	(45)	327	339
Allowance for losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	78	(48)	219	99
- written back during the financial period	61	4	(25)	(131)
(b) Collective assessment allowance (written back)/made during the financial period	(15)	10	(2)	(4)
Bad debts on clients' and brokers' balances				
- recovered	-	-	-	(26)
Allowance for losses on other debtors:				
(a) Individual assessment allowance				
- written-back during the financial period	-	(40)	(95)	(153)
	237	(129)	341	67

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EXPLANATORY NOTES

24. 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.

	The Group and the Bank	
	31.03.2015	30.06.2014
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	8,000	20,625
Obligations under underwriting agreement	-	299,154
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	-	23
- maturity over one year	5,077	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	721,352	627,233
Others	734,771	648,976
	1,469,200	1,596,011
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,821,278	724,036
- Over one year to five years	2,380,605	2,246,000
- Over five years	536,851	-
Foreign exchange related contracts:		
- One year or less	2,032,606	1,537,569
Equity related contracts:		
- One year or less	15,108	1,429
- Over one year to five years	1,500	11,500
	6,787,948	4,520,534
	8,257,148	6,116,545

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EXPLANATORY NOTES

25. 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

25. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy

The Group and the Bank	Level 1	Level 2	Level 3	Total
31.03.2015	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	13,856	939,037	-	952,893
- Money market instruments	-	426,261	-	426,261
- Quoted securities	13,856	-	-	13,856
- Unquoted securities	-	512,776	-	512,776
Financial investments available-for-sale	-	682,106	245	682,351
- Money market instruments	-	105,818	-	105,818
- Unquoted securities	-	576,288	245	576,533
Derivative financial assets	-	51,463	-	51,463
	13,856	1,672,606	245	1,686,707
Financial liability				
Derivative financial liabilities	-	84,361	-	84,361
30.06.2014				
Financial assets				
Financial assets at fair value through profit or loss	8,360	859,904	-	868,264
- Money market instruments	-	720,067	-	720,067
- Quoted securities	8,360	-	-	8,360
- Unquoted securities	-	139,837	-	139,837
Financial investments available-for-sale	-	636,340	245	636,585
- Money market instruments	-	184,973	-	184,973
- Unquoted securities	-	451,367	245	451,612
Derivative financial assets	-	40,951	-	40,951
	8,360	1,537,195	245	1,545,800
Financial liability				
Derivative financial liabilities	-	24,773	-	24,773

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

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EXPLANATORY NOTES

25. Fair value of financial instruments (continued)

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

The Group and the Bank	Financial investments available-for-sale	
	31.03.2015	30.06.2014
	RM'000	RM'000
As at 1 July	245	686
Redeemed during the period/year	-	(441)
As at 31 March/30 June	245	245

26. 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:

	The Group		The Bank	
	31.03.2015	30.06.2014	31.03.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	18.734%	20.128%	18.707%	20.108%
Tier 1 capital ratio	18.734%	20.128%	18.707%	20.108%
Total capital ratio	22.330%	20.296%	22.289%	20.259%
After deducting proposed dividends:				
CET1 capital ratio	18.734%	16.422%	18.707%	16.401%
Tier 1 capital ratio	18.734%	16.422%	18.707%	16.401%
Total capital ratio	22.330%	16.590%	22.289%	16.552%

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EXPLANATORY NOTES

26. Capital adequacy (continued)

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

	The Group		The Bank	
	31.03.2015	30.06.2014	31.03.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
CET1 Capital				
Paid-up ordinary share capital	165,000	165,000	165,000	165,000
Share premium	87,950	87,950	87,950	87,950
Other reserves	159,546	219,033	159,205	218,692
	412,496	471,983	412,155	471,642
Regulatory adjustments:				
- Goodwill and intangibles	(30,722)	(29,978)	(30,722)	(29,978)
- Deferred tax assets	(103,671)	(103,671)	(103,671)	(103,671)
- Other regulatory adjustments	(1,165)	-	(1,318)	(77)
Total CET1 Capital	276,938	338,334	276,444	337,916
Tier 1 Capital	276,938	338,334	276,444	337,916
Tier 2 Capital				
Redeemable preference shares ("RPS")	1,631	1,631	1,631	1,631
Collective assessment allowance for losses on loans and advances ⁽¹⁾	1,531	1,204	1,531	1,204
Subordinated obligations	50,000	-	50,000	-
Regulatory adjustments:				
- Investment in subsidiaries	-	-	(230)	(306)
Total Tier 2 Capital	53,162	2,835	52,932	2,529
Total Capital	330,100	341,169	329,376	340,445

Note:

⁽¹⁾ Excludes collective assessment allowance attributable to loans and advances classified as impaired.

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

	The Group		The Bank	
	31.03.2015	30.06.2014	31.03.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	787,412	896,229	787,275	896,087
Market risk	423,094	571,557	423,094	571,557
Operational risk	267,769	213,166	267,359	212,853
	1,478,275	1,680,952	1,477,728	1,680,497

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EXPLANATORY NOTES

27. Significant events during the financial quarter ended 31 March 2015

There were no material significant events during the financial quarter.

28. Changes in the composition of the Group and Bank

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

29. 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 interim financial statements.

30. Review of performance for the financial quarter ended 31 March 2015 against the corresponding financial quarter

For the current financial quarter ended 31 March 2015, the Group recorded a profit before tax of RM16.4 million, as compared to a RM8.6 million recorded in the corresponding financial quarter. The increase in profit of RM7.8 million was primarily attributable to the higher income earned from its Investment Banking Division.

31. Prospects for 2015

The key focus for the coming financial year is to strengthen and build on the existing stockbroking business and to offer innovative investment banking solutions while leveraging on Hong Leong Group relationship.

On top of this, the Bank seek to capitalize on its enlarged scale from the vesting of business from former HLIB to further improve our market presence.