

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company No: 10209-W)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2015**

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30.06.2015	30.06.2014	30.06.2015	30.06.2014
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		440,318	674,965	438,100	674,550
Reverse repurchase agreements		-	280,176	-	280,176
Deposits and placements with banks and other financial institutions		200,243	331,159	200,059	330,873
Financial assets at fair value through profit or loss	8	921,047	868,264	921,047	868,264
Financial investments available-for-sale	9	799,436	636,585	799,196	636,585
Financial investments held-to-maturity	10	380,255	358,413	380,255	358,413
Derivative financial assets	17	43,059	40,951	43,059	40,951
Loans and advances	11	325,983	431,414	325,983	431,414
Clients' and brokers' balances	12	188,838	284,378	188,838	284,378
Other assets	13	24,391	46,064	24,385	46,055
Statutory deposits with Bank Negara Malaysia		56,180	30,750	56,180	30,750
Investment in subsidiaries		-	-	384	383
Deferred tax assets		95,002	103,671	95,002	103,671
Property and equipment		4,508	5,487	4,508	5,487
Intangible assets - computer software		3,549	992	3,549	992
Goodwill		28,986	28,986	28,986	28,986
<b>TOTAL ASSETS</b>		<b>3,511,795</b>	4,122,255	<b>3,509,531</b>	4,121,928
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	15	841,747	631,566	841,747	631,566
Deposits and placements of banks and other financial institutions	16	1,847,391	2,054,960	1,847,391	2,054,960
Repurchased agreements		-	179,087	-	179,087
Derivative financial liabilities	17	57,428	24,773	57,428	24,773
Clients' and brokers' balances		165,143	250,437	165,143	250,437
Provision for tax		-	4	-	-
Other liabilities	18	72,226	507,814	70,260	507,832
Subordinated obligations		50,194	-	50,194	-
<b>TOTAL LIABILITIES</b>		<b>3,034,129</b>	3,648,641	<b>3,032,163</b>	3,648,655
<b>EQUITY</b>					
Share capital		165,000	165,000	165,000	165,000
Redeemable preference shares		-	1,631	-	1,631
Reserves		312,666	306,983	312,368	306,642
<b>TOTAL EQUITY</b>		<b>477,666</b>	473,614	<b>477,368</b>	473,273
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,511,795</b>	4,122,255	<b>3,509,531</b>	4,121,928
<b>COMMITMENTS AND CONTINGENCIES</b>					
	24	7,412,838	5,467,569	7,412,838	5,467,569
<b>Net assets per ordinary share (RM)</b>		<b>2.89</b>	2.87	<b>2.89</b>	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 YEAR ENDED 30 JUNE 2015**

		<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>Note</b>		<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>	
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
	Interest income	19	32,888	25,505	130,893	101,735
	Interest expense	20	(23,950)	(17,000)	(88,983)	(69,052)
	Net interest income		8,938	8,505	41,910	32,683
	Non-interest income	21	43,757	59,115	116,470	160,604
	Net income		52,695	67,620	158,380	193,287
	Other operating expenses	22	(27,247)	(40,472)	(85,703)	(124,559)
	Net operating profit		25,448	27,148	72,677	68,728
	Writeback/(allowance for) of impairment losses on loans and advances and other losses	23	1,056	(293)	715	(360)
	<b>Profit before taxation</b>		<b>26,504</b>	26,855	<b>73,392</b>	68,368
	Taxation		(7,873)	20,883	(7,882)	41,133
	<b>Net profit for the financial year</b>		<b>18,631</b>	47,738	<b>65,510</b>	109,501
	Earnings per share (sen)					
	- Basic		11.3	28.9	39.7	66.4
	- Diluted		11.3	28.9	39.7	66.4

*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 YEAR ENDED 30 JUNE 2015**

	<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>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</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>18,631</b>	47,738	<b>65,510</b>	109,501
<b>Other comprehensive (expense)/income:</b>				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	<b>(485)</b>	(733)	<b>3,259</b>	(2,192)
Income tax relating to net fair value changes on financial investments available-for-sale	<b>145</b>	183	<b>(791)</b>	548
<b>Other comprehensive (expense)/income for the financial year, net of tax</b>	<b>(340)</b>	(550)	<b>2,468</b>	(1,644)
<b>Total comprehensive income for the financial year, net of tax</b>	<b>18,291</b>	47,188	<b>67,978</b>	107,857

*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 YEAR ENDED 30 JUNE 2015**

		<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>Note</b>		<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>	
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
	Interest income	19	32,888	25,505	130,893	101,727
	Interest expense	20	(23,950)	(17,000)	(88,983)	(69,052)
	Net interest income		8,938	8,505	41,910	32,675
	Non-interest income	21	43,717	59,075	116,315	160,406
	Net income		52,655	67,580	158,225	193,081
	Other operating expenses	22	(27,196)	(40,411)	(85,509)	(124,340)
	Net operating profit		25,459	27,169	72,716	68,741
	Writeback/(allowance for) of impairment losses on loans and advances and other losses	23	1,056	(293)	715	(360)
	<b>Profit before taxation</b>		<b>26,515</b>	26,876	<b>73,431</b>	68,381
	Taxation		(7,873)	20,878	(7,878)	41,145
	<b>Net profit for the financial year</b>		<b>18,642</b>	47,754	<b>65,553</b>	109,526
	Earnings per share (sen)					
	- Basic		11.3	28.9	39.7	66.4
	- Diluted		11.3	28.9	39.7	66.4

*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 YEAR ENDED 30 JUNE 2015**

	Individual Quarter		The Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the financial year</b>	<b>18,642</b>	47,754	<b>65,553</b>	109,526
<b>Other comprehensive (expense)/income:</b>				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	<b>(485)</b>	(733)	<b>3,259</b>	(2,192)
Income tax relating to net fair value changes on financial investments available-for-sale	<b>145</b>	183	<b>(791)</b>	548
<b>Other comprehensive (expense)/income for the financial year, net of tax</b>	<b>(340)</b>	(550)	<b>2,468</b>	(1,644)
<b>Total comprehensive income for the financial year, net of tax</b>	<b>18,302</b>	47,204	<b>68,021</b>	107,882

*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 YEAR ENDED 30 JUNE 2015

<u>The Group</u>	Note	Attributable to owner of the parent					Fair value reserve RM'000	Retained profits/ losses) RM'000	Total RM'000
		Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000			
<b>At 1 July 2014</b>		<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>180,479</b>	<b>-</b>	<b>(690)</b>	<b>39,244</b>	<b>473,614</b>
Net profit for the financial year		-	-	-	-	-	-	65,510	65,510
Other comprehensive income, net of tax		-	-	-	-	-	2,468	-	2,468
Total comprehensive income for the financial year		-	-	-	-	-	2,468	65,510	67,978
Redemption of Redeemable Preference Shares		-	(1,631)	-	-	-	-	-	(1,631)
Transfer to statutory reserve		-	-	-	16,388	-	-	(16,388)	-
Transfer to regulatory reserve		-	-	-	-	3,031	-	(3,031)	-
Dividend paid		-	-	-	-	-	-	(62,295)	(62,295)
<b>At 30 June 2015</b>		<b>165,000</b>	<b>-</b>	<b>87,950</b>	<b>196,867</b>	<b>3,031</b>	<b>1,778</b>	<b>23,040</b>	<b>477,666</b>
<b>At 1 July 2013</b>		<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>153,097</b>	<b>-</b>	<b>954</b>	<b>(14,875)</b>	<b>393,757</b>
Net profit for the financial year		-	-	-	-	-	-	109,501	109,501
Other comprehensive expense, net of tax		-	-	-	-	-	(1,644)	-	(1,644)
Total comprehensive (expense)/income for the financial year		-	-	-	-	-	(1,644)	109,501	107,857
Dividend paid		-	-	-	-	-	-	(28,000)	(28,000)
Transfer to statutory reserve		-	-	-	27,382	-	-	(27,382)	-
<b>At 30 June 2014</b>		<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>180,479</b>	<b>-</b>	<b>(690)</b>	<b>39,244</b>	<b>473,614</b>

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2014.

HONG LEONG INVESTMENT BANK BERHAD

(Company No: 10209-W)

CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Non-distributable					Distributable		Total RM'000
	Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits/ losses) RM'000 (accumulated	
<b><u>The Bank</u></b>								
<b>At 1 July 2014</b>	<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>180,479</b>	<b>-</b>	<b>(690)</b>	<b>38,903</b>	<b>473,273</b>
Net profit for the financial year	-	-	-	-	-	-	65,553	65,553
Other comprehensive income, net of tax	-	-	-	-	-	2,468	-	2,468
Total comprehensive income for the financial year	-	-	-	-	-	2,468	65,553	68,021
Redemption of Redeemable Preference Shares	-	(1,631)	-	-	-	-	-	(1,631)
Transfer to statutory reserve	-	-	-	16,388	-	-	(16,388)	-
Transfer to regulatory reserve	-	-	-	-	3,031	-	(3,031)	-
Dividend paid	-	-	-	-	-	-	(62,295)	(62,295)
<b>At 30 June 2015</b>	<b>165,000</b>	<b>-</b>	<b>87,950</b>	<b>196,867</b>	<b>3,031</b>	<b>1,778</b>	<b>22,742</b>	<b>477,368</b>
<b>At 1 July 2013</b>	<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>153,097</b>	<b>-</b>	<b>954</b>	<b>(15,241)</b>	<b>393,391</b>
Net profit for the financial year	-	-	-	-	-	-	109,526	109,526
Other comprehensive expense, net of tax	-	-	-	-	-	(1,644)	-	(1,644)
Total comprehensive (expense)/income for the financial year	-	-	-	-	-	(1,644)	109,526	107,882
Dividend paid	-	-	-	-	-	-	(28,000)	(28,000)
Transfer to statutory reserve	-	-	-	27,382	-	-	(27,382)	-
<b>At 30 June 2014</b>	<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>180,479</b>	<b>-</b>	<b>(690)</b>	<b>38,903</b>	<b>473,273</b>

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2014.

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</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	73,392	68,368	73,431	68,381
Adjustments for non-cash items	<b>(61,307)</b>	(47,286)	<b>(61,313)</b>	(47,286)
Operating profit before changes in working capital	<b>12,085</b>	21,082	<b>12,118</b>	21,095
Changes in working capital:				
Net changes in operating assets	<b>574,986</b>	(626,702)	<b>574,887</b>	(626,673)
Net changes in operating liabilities	<b>(696,268)</b>	1,183,560	<b>(698,252)</b>	1,183,598
Net income tax paid	<b>(7)</b>	(3)	-	-
Net cash (used in)/generated from operating activities	<b>(109,204)</b>	577,937	<b>(111,247)</b>	578,020
Net cash used in investing activities	<b>(110,013)</b>	(431,241)	<b>(109,773)</b>	(430,172)
Net cash used in financing activities	<b>(15,430)</b>	(28,000)	<b>(15,430)</b>	(28,000)
Net changes in cash and cash equivalents	<b>(234,647)</b>	118,696	<b>(236,450)</b>	119,848
Cash and cash equivalents at beginning of financial year	<b>674,965</b>	556,269	<b>674,550</b>	554,702
Cash and cash equivalents at end of financial year	<b>440,318</b>	674,965	<b>438,100</b>	674,550
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	<b>440,318</b>	674,965	<b>438,100</b>	674,550

*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)*

**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 year ended 30 June 2015 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The 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:

- Amendments to MFRS 132 "Offsetting Financial Assets and Financial Liabilities"
- Amendments to MFRS 136 "Recoverable Amount Disclosures for Non-Financial Assets"
- Amendments to MFRS 139 "Novation of Derivatives and Continuation of Hedge Accounting"
- Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"
- Amendments to MFRS 119 "Employee benefits"
- IC Interpretation 21 "Levies"
- Annual Improvement 2010 - 2012
- Annual Improvement 2011 - 2013

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 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 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 30 June 2015.

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

**EXPLANATORY NOTES**

**6. Issuance and repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 June 2015.

**7. Dividends**

There were no dividends paid during the financial quarter ended 30 June 2015.

The Directors of the Bank recommend the payment of a single-tier final dividend of 25.212 sen per share on the Bank's issued and paid-up ordinary share capital, amounting to RM41,599,800 for the financial year ended 30 June 2015.

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

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets held-for-trading</b>		
<b>Money market instruments</b>		
Malaysian Government Securities	30,772	-
Negotiable instruments of deposits	-	403,428
Bankers' acceptances	<b>426,775</b>	316,639
	<b>457,547</b>	720,067
<b>Quoted securities</b>		
In Malaysia:		
Shares	<b>21,597</b>	8,360
<b>Unquoted securities</b>		
Foreign currency bonds	<b>62,718</b>	33,777
Private and Islamic debt securities	<b>379,023</b>	106,060
	<b>441,741</b>	139,837
	<b>920,885</b>	868,264
<b>Financial assets designated at fair value through profit or loss</b>		
<b>Quoted securities</b>		
In Malaysia:		
Shares	<b>162</b>	-
	<b>921,047</b>	868,264

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

**EXPLANATORY NOTES**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>				
Malaysian Government Securities	<b>102,399</b>	30,512	<b>102,399</b>	30,512
Malaysian Government Investment Issues	<b>80,368</b>	139,398	<b>80,368</b>	139,398
Cagamas bonds	<b>15,051</b>	15,063	<b>15,051</b>	15,063
	<b>197,818</b>	184,973	<b>197,818</b>	184,973
<b>Quoted securities</b>				
Unit trust investment	<b>240</b>	-	-	-
<b>Unquoted securities</b>				
Shares	<b>245</b>	245	<b>245</b>	245
Foreign currency bonds	<b>199,674</b>	72,619	<b>199,674</b>	72,619
Private and Islamic debt securities	<b>401,459</b>	378,748	<b>401,459</b>	378,748
	<b>601,378</b>	451,612	<b>601,378</b>	451,612
	<b>799,436</b>	636,585	<b>799,196</b>	636,585

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

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	<b>51,097</b>	51,316
Malaysian Government Investment Issues	<b>20,397</b>	25,517
Negotiable instruments of deposits	-	51,499
	<b>71,494</b>	128,332
<b>Unquoted securities</b>		
Foreign currency bonds	<b>248,387</b>	194,666
Private and Islamic debt securities	<b>60,374</b>	35,415
	<b>308,761</b>	230,081
	<b>380,255</b>	358,413

**11. Loans and advances**

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan financing	<b>143,066</b>	140,112
Share margin financing	<b>183,183</b>	291,384
Staff loans	<b>78</b>	100
Other loans	<b>659</b>	1,319
Gross loans and advances	<b>326,986</b>	432,915
Less: Allowance for losses on loans and advances		
- individual assessment allowance	<b>(111)</b>	(194)
- collective assessment allowance	<b>(892)</b>	(1,307)
Total net loans and advances	<b>325,983</b>	431,414

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

**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Gross loans and advances disbursed by type of customers are as follows:</b>		
Domestic business enterprises		
- Small and medium enterprises	45,111	72,653
- Others	158,948	115,866
Individuals	122,927	244,144
Foreign entities	-	252
	<b>326,986</b>	<b>432,915</b>
<b>(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:</b>		
Variable rate	326,249	385,479
Fixed rate		
- Staff housing loans	78	83
- Other fixed rate loans	659	47,353
	<b>326,986</b>	<b>432,915</b>
<b>(iii) Gross loans and advances analysed by residual contractual maturity are as follows:</b>		
Maturing within one year	276,377	365,350
One year to three years	30,703	3
Three years to five years	19,829	67,479
Over five years	77	83
	<b>326,986</b>	<b>432,915</b>
<b>(iv) Loans and advances analysed by their economic purposes are as follows:</b>		
Working capital	103,359	140,112
Purchase of securities	222,890	291,384
Purchase of transport vehicles	112	157
Purchase of landed properties	625	1,256
Others	-	6
	<b>326,986</b>	<b>432,915</b>
<b>(v) Gross loans and advances analysed by geographical distribution are as follows:</b>		
Malaysia	<b>326,986</b>	<b>432,915</b>

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

**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vi) Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
At 1 July	853	1,123
Impaired during the financial year	3	156
Amount written-back during the financial year	(233)	(426)
At 30 June	623	853
<b>(vii) Movements in allowance for loans and advances are as follows:</b>		
<b>Individual assessment allowance</b>		
At 1 July	194	252
Allowance made during the financial year	-	2
Allowance written back during the financial year	(83)	(60)
At 30 June	111	194
<b>Collective assessment allowance</b>		
At 1 July	1,307	738
Allowance made during the financial year	(415)	569
At 30 June	892	1,307
<b>(viii) Impaired loans and advances analysed by their economic purposes are as follows:</b>		
Purchase of transport vehicles	111	115
Purchase of landed properties	512	738
	623	853

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

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	187,690	283,807
Impaired accounts	1,532	956
	189,222	284,763
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(361)	(370)
- collective assessment allowance	(23)	(15)
	188,838	284,378

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

**EXPLANATORY NOTES**

**13. Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax recoverable	6	7	-	-
Amount due from related companies	192	283	192	283
Deposits and prepayments	4,860	4,533	4,860	4,533
Fee income receivables	7,123	33,943	7,123	33,943
Collaterals pledged for derivative transactions	8,965	4,672	8,965	4,672
Other receivables	3,245	2,626	3,245	2,624
	<b>24,391</b>	<b>46,064</b>	<b>24,385</b>	<b>46,055</b>

**14. Valuation of property and equipment**

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

**15. Deposits from customers**

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	<b>841,747</b>	631,566
<b>(i) By Type of deposit</b>		
Fixed Deposit	<b>841,747</b>	631,566
<b>(ii) By Type of customer</b>		
Government & statutory bodies	<b>561,996</b>	534,103
Business enterprises	<b>265,602</b>	96,453
Individuals	<b>14,149</b>	1,010
	<b>841,747</b>	631,566
<b>(iii) The maturity structure of fixed deposits is as follows:</b>		
Due within six months	<b>841,747</b>	631,566

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

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	-	96,343
Licensed banks	<b>459,790</b>	553,736
Licensed investment banks	<b>34,384</b>	52,804
Other financial institutions	<b>1,353,217</b>	1,352,077
	<b>1,847,391</b>	2,054,960

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

**EXPLANATORY NOTES**

**17. Derivative financial assets/liabilities**

	<b>The Group and the Bank</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
<b>30.06.2015</b>			
Interest rate related contracts:			
- Interest rate swaps	4,169,500	6,968	(18,976)
- Futures	301,872	625	(265)
- Cross currency swaps	226,395	2,999	(6,016)
Foreign exchange related contracts:			
- Foreign currency swaps	1,908,226	28,910	(32,165)
- Foreign currency forwards	61,802	457	(6)
- Foreign currency spots	1,166	3	-
Equity related contracts:			
- Call options	8,500	3,097	-
	<b>6,677,461</b>	<b>43,059</b>	<b>(57,428)</b>
<b>30.06.2014</b>			
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	-
	<b>4,520,534</b>	<b>40,951</b>	<b>(24,773)</b>

**18. Other liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to holding company	317	266	317	266
Amount due to a subsidiary companies	-	-	-	153
Amount due to related companies	-	2	-	2
Remisiers' trust deposits	13,544	13,777	13,544	13,777
ESOS liabilities	-	14,624	-	14,624
Advance payments received for corporate exercise	-	416,545	-	416,545
Other payables and accrued liabilities	58,221	62,299	56,255	62,164
Provision for post employment benefits	144	301	144	301
	<b>72,226</b>	<b>507,814</b>	<b>70,260</b>	<b>507,832</b>

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

**EXPLANATORY NOTES**

**19. 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>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	6,419	4,459	24,739	16,627
Money at call and deposit placements with financial institutions	1,962	5,209	14,733	25,077
Financial assets at fair value through profit or loss	12,175	4,688	39,396	19,554
Financial investments available-for-sale	6,242	6,152	28,042	19,127
Financial investments held-to-maturity	2,807	2,994	11,225	13,758
Derivative financial instruments	1,348	596	4,276	2,729
Others	1,935	1,407	8,482	4,863
<b>Total interest income</b>	<b>32,888</b>	<b>25,505</b>	<b>130,893</b>	<b>101,735</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>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	6,419	4,459	24,739	16,627
Money at call and deposit placements with financial institutions	1,962	5,209	14,733	25,069
Financial assets at fair value through profit or loss	12,175	4,688	39,396	19,554
Financial investments available-for-sale	6,242	6,152	28,042	19,127
Financial investments held-to-maturity	2,807	2,994	11,225	13,758
Derivative financial instruments	1,348	596	4,276	2,729
Others	1,935	1,407	8,482	4,863
<b>Total interest income</b>	<b>32,888</b>	<b>25,505</b>	<b>130,893</b>	<b>101,727</b>

**20. Interest expense**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	3,637	3,289	16,784	15,979
Deposits from customers	16,205	11,855	61,045	45,946
Derivative financial instruments	3,331	1,680	8,937	6,650
Subordinated notes	653	-	1,698	-
Others	124	176	519	477
	<b>23,950</b>	<b>17,000</b>	<b>88,983</b>	<b>69,052</b>



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

**EXPLANATORY NOTES**

**21. Non-interest income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2015 RM'000</b>	<b>Last year's quarter ended 30.06.2014 RM'000</b>	<b>Current year ended 30.06.2015 RM'000</b>	<b>Last year's ended 30.06.2014 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	2,342	2,810	11,811	8,058
Arranger fees	2,866	3,736	8,849	15,295
Underwriting commissions	886	1,660	886	2,274
Brokerage income	14,480	17,888	58,387	60,576
Fees on loans and advances	156	773	1,491	2,598
Other fee income	9,628	27,217	23,451	40,983
	<b>30,358</b>	<b>54,084</b>	<b>104,875</b>	<b>129,784</b>
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale/ redemption of:				
- financial assets at fair value through profit or loss	3,863	(152)	6,710	(4,648)
- financial investments available-for-sale	1,212	1,205	3,160	4,528
- financial investments held-to-maturity	-	-	-	12
- derivative financial instruments	(2,998)	5,573	(3,391)	9,624
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	1,543	586	1,857	7,540
- derivative financial instruments	18,916	42	(12,812)	23,916
Dividend income from:				
- financial assets at fair value through profit or loss	49	-	772	640
- financial investments available-for-sale	73	49	73	49
	<b>22,658</b>	<b>7,303</b>	<b>(3,631)</b>	<b>41,661</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	10	-	4	-
(Loss)/gain on liquidation of subsidiaries	-	(3)	2	(3)
Foreign exchange (loss)/gain	(9,062)	(2,359)	15,311	(11,571)
Other non-operating (expense)/income	(207)	90	(91)	733
	<b>(9,259)</b>	<b>(2,272)</b>	<b>15,226</b>	<b>(10,841)</b>
	<b>43,757</b>	<b>59,115</b>	<b>116,470</b>	<b>160,604</b>

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

**EXPLANATORY NOTES**

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

	<b>Individual Quarter</b>		<b>The Bank Cumulative Months Ended</b>	
	<b>Current</b>	<b>Last year's</b>	<b>Current</b>	<b>Last</b>
	<b>quarter ended</b>	<b>quarter ended</b>	<b>year ended</b>	<b>year's ended</b>
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	2,342	2,810	11,811	8,058
Arranger fees	2,866	3,736	8,849	15,295
Underwriting commissions	886	1,660	886	2,274
Brokerage income	14,480	17,888	58,387	60,576
Fees on loans and advances	156	773	1,491	2,598
Other fee income	9,587	27,171	23,290	40,783
	<b>30,317</b>	<b>54,038</b>	<b>104,714</b>	<b>129,584</b>
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale/ redemption of:				
- financial assets at fair value through profit or loss	3,863	(152)	6,710	(4,648)
- financial investments available-for-sale	1,212	1,205	3,160	4,528
- financial investments held-to-maturity	-	-	-	12
- derivative financial instruments	(2,998)	5,573	(3,391)	9,624
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	1,543	586	1,857	7,540
- derivative financial instruments	18,916	42	(12,812)	23,916
Dividend income from:				
- financial assets at fair value through profit or loss	49	-	772	640
- financial investments available-for-sale	73	49	73	49
	<b>22,658</b>	<b>7,303</b>	<b>(3,631)</b>	<b>41,661</b>
<u>Other income:</u>				
Gain on disposal of property and equipment	10	-	4	-
Gain/(loss) on liquidation of subsidiaries	1	(3)	8	(3)
Foreign exchange (loss)/gain	(9,062)	(2,359)	15,311	(11,571)
Other non-operating (expense)/income	(207)	96	(91)	735
	<b>(9,258)</b>	<b>(2,266)</b>	<b>15,232</b>	<b>(10,839)</b>
	<b>43,717</b>	<b>59,075</b>	<b>116,315</b>	<b>160,406</b>

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

**EXPLANATORY NOTES**

**22. Other operating expenses**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2015 RM'000</b>	<b>Last year's quarter ended 30.06.2014 RM'000</b>	<b>Current year ended 30.06.2015 RM'000</b>	<b>Last year's ended 30.06.2014 RM'000</b>
Personnel expenses	<b>19,041</b>	31,949	<b>53,081</b>	91,476
Promotion and marketing related expenses	<b>464</b>	592	<b>2,647</b>	2,450
Establishment related expenses	<b>3,718</b>	4,082	<b>15,058</b>	16,102
General administrative expenses	<b>4,024</b>	3,849	<b>14,917</b>	14,531
	<b>27,247</b>	40,472	<b>85,703</b>	124,559
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>18,051</b>	27,717	<b>46,132</b>	54,177
Defined contribution plan	<b>1,259</b>	1,367	<b>5,435</b>	5,273
(Write-back)/option charge arising from ESOS	<b>(922)</b>	2,258	<b>(1,089)</b>	30,535
Other employee benefits	<b>653</b>	607	<b>2,603</b>	1,491
	<b>19,041</b>	31,949	<b>53,081</b>	91,476
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>2</b>	2	<b>46</b>	256
Entertainment and business improvement	<b>430</b>	538	<b>2,486</b>	1,922
Others	<b>32</b>	52	<b>115</b>	272
	<b>464</b>	592	<b>2,647</b>	2,450
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>382</b>	451	<b>1,729</b>	1,899
Amortisation of intangible assets	<b>289</b>	157	<b>847</b>	523
Rental expenses	<b>1,307</b>	1,354	<b>5,422</b>	5,602
Others	<b>1,740</b>	2,120	<b>7,060</b>	8,078
	<b>3,718</b>	4,082	<b>15,058</b>	16,102
<b>(iv) General administrative expenses comprise the following:</b>				
Auditors' remuneration				
- Statutory audit fees	<b>64</b>	33	<b>275</b>	277
- Regulatory related fees	<b>23</b>	22	<b>23</b>	22
- Tax compliance fee	<b>13</b>	9	<b>13</b>	9
- Other fees	<b>156</b>	185	<b>156</b>	185
Legal and professional fees	<b>930</b>	1,011	<b>3,391</b>	3,661
Others	<b>2,838</b>	2,589	<b>11,059</b>	10,377
	<b>4,024</b>	3,849	<b>14,917</b>	14,531

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

**EXPLANATORY NOTES**

**22. Other operating expenses (continued)**

	<b>Individual Quarter</b>		<b>The Bank Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2015 RM'000</b>	<b>Last year's quarter ended 30.06.2014 RM'000</b>	<b>Current year ended 30.06.2015 RM'000</b>	<b>Last year's ended 30.06.2014 RM'000</b>
	Personnel expenses	<b>19,007</b>	31,920	<b>52,954</b>
Promotion and marketing related expenses	<b>464</b>	592	<b>2,647</b>	2,450
Establishment related expenses	<b>3,707</b>	4,072	<b>15,012</b>	16,061
General administrative expenses	<b>4,018</b>	3,827	<b>14,896</b>	14,470
	<b>27,196</b>	40,411	<b>85,509</b>	124,340
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	<b>18,022</b>	27,692	<b>46,024</b>	54,078
Defined contribution plan	<b>1,254</b>	1,363	<b>5,416</b>	5,256
(Write-back)/option charge arising from ESOS	<b>(922)</b>	2,258	<b>(1,089)</b>	30,535
Other employee benefits	<b>653</b>	607	<b>2,603</b>	1,490
	<b>19,007</b>	31,920	<b>52,954</b>	91,359
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	<b>2</b>	2	<b>46</b>	256
Entertainment and business improvement	<b>430</b>	538	<b>2,486</b>	1,922
Others	<b>32</b>	52	<b>115</b>	272
	<b>464</b>	592	<b>2,647</b>	2,450
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	<b>382</b>	451	<b>1,729</b>	1,899
Amortisation of intangible assets	<b>289</b>	157	<b>847</b>	523
Rental expenses	<b>1,299</b>	1,346	<b>5,390</b>	5,570
Others	<b>1,737</b>	2,118	<b>7,046</b>	8,069
	<b>3,707</b>	4,072	<b>15,012</b>	16,061
<b>(iv) General administrative expenses comprise the following:</b>				
Auditors' remuneration				
- Statutory audit fees	<b>62</b>	31	<b>268</b>	267
- Regulatory related fees	<b>23</b>	22	<b>23</b>	22
- Tax compliance fee	<b>13</b>	9	<b>13</b>	9
- Other fees	<b>156</b>	185	<b>156</b>	185
Legal and professional fees	<b>930</b>	986	<b>3,391</b>	3,636
Others	<b>2,834</b>	2,594	<b>11,045</b>	10,351
	<b>4,018</b>	3,827	<b>14,896</b>	14,470

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

**EXPLANATORY NOTES**

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

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Months Ended</b>	
	<b>Current quarter ended 30.06.2015 RM'000</b>	<b>Last year's quarter ended 30.06.2014 RM'000</b>	<b>Current year ended 30.06.2015 RM'000</b>	<b>Last year's ended 30.06.2014 RM'000</b>
Write-back of/(allowance for) losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial year	-	-	-	(2)
- written-back during the financial year	-	1	83	60
(b) Collective assessment written-back/(made) during the financial year	<b>742</b>	(230)	<b>415</b>	(569)
Write-back of/(allowance for) losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial year	<b>122</b>	(20)	<b>(97)</b>	(119)
- written-back during the financial year	<b>81</b>	(4)	<b>106</b>	127
(b) Collective assessment (made)/written back during the financial year	<b>(10)</b>	14	<b>(8)</b>	18
Bad debts on clients' and brokers' balances - recovered	<b>110</b>	31	<b>110</b>	57
Write-back of/(allowance for) losses on other debtors				
(a) Individual assessment allowance				
- made during the financial year	-	(85)	-	(85)
- written-back during the financial year	<b>11</b>	-	<b>106</b>	153
	<b>1,056</b>	(293)	<b>715</b>	(360)

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

**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.

	<b>The Group and the Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>Principal Amount RM'000</b>	<b>Principal Amount RM'000</b>
<b>Commitments and Contingent Liabilities</b>		
Direct Credit Substitutes	<b>8,000</b>	20,625
Obligations under underwriting agreement	-	299,154
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	<b>1,781</b>	23
- maturity over one year	<b>2,719</b>	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	<b>722,877</b>	627,233
	<b>735,377</b>	947,035
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	<b>1,555,070</b>	724,036
- Over one year to five years	<b>2,617,697</b>	2,246,000
- Over five years	<b>525,000</b>	-
Foreign exchange related contracts:		
- One year or less	<b>1,971,194</b>	1,537,569
Equity related contracts:		
- One year or less	-	1,429
- Over one year to five years	<b>8,500</b>	11,500
	<b>6,677,461</b>	4,520,534
	<b>7,412,838</b>	5,467,569

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

**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.

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

**EXPLANATORY NOTES**

**25. 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>30.06.2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	21,597	899,450	-	921,047
- Money market instruments	-	457,547	-	457,547
- Quoted securities	21,597	162	-	21,759
- Unquoted securities	-	441,741	-	441,741
Financial investments available-for-sale	240	798,951	245	799,436
- Money market instruments	-	197,818	-	197,818
- Quoted securities	240	-	-	240
- Unquoted securities	-	601,133	245	601,378
Derivative financial assets	-	43,059	-	43,059
	<b>21,837</b>	<b>1,741,460</b>	<b>245</b>	<b>1,763,542</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	57,428	-	57,428
<b>30.06.2014</b>				
<b>Financial assets</b>				
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
	<b>8,360</b>	<b>1,537,195</b>	<b>245</b>	<b>1,545,800</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	24,773	-	24,773



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

**EXPLANATORY NOTES**

**25. 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>30.06.2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	21,597	899,450	-	921,047
- Money market instruments	-	457,547	-	457,547
- Quoted securities	21,597	162	-	21,759
- Unquoted securities	-	441,741	-	441,741
Financial investments available-for-sale	-	798,951	245	799,196
- Money market instruments	-	197,818	-	197,818
- Unquoted securities	-	601,133	245	601,378
Derivative financial assets	-	43,059	-	43,059
	<b>21,597</b>	<b>1,741,460</b>	<b>245</b>	<b>1,763,302</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	57,428	-	57,428
<b>30.06.2014</b>				
<b>Financial assets</b>				
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
	<b>8,360</b>	<b>1,537,195</b>	<b>245</b>	<b>1,545,800</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	24,773	-	24,773

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

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

**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:

<b>The Group and the Bank</b>	<b>Financial investments available-for-sale</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 July	245	686
Redeemed during the year	-	(441)
As at 30 June	<u>245</u>	<u>245</u>

**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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</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>23.695%</b>	20.128%	<b>23.683%</b>	20.108%
Tier 1 capital ratio	<b>23.695%</b>	20.128%	<b>23.683%</b>	20.108%
Total capital ratio	<b>27.380%</b>	20.296%	<b>27.355%</b>	20.259%
<b>After deducting proposed dividends: <sup>(1)</sup></b>				
CET1 capital ratio	<b>20.847%</b>	16.422%	<b>20.832%</b>	16.401%
Tier 1 capital ratio	<b>20.847%</b>	16.422%	<b>20.832%</b>	16.401%
Total capital ratio	<b>24.532%</b>	16.590%	<b>24.504%</b>	16.552%

Note:

<sup>(1)</sup> Proposed dividends of RM41,600,000 (2014: RM62,295,000).

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

**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:

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CET1 Capital</b>				
Paid-up ordinary share capital	<b>165,000</b>	165,000	<b>165,000</b>	165,000
Share premium	<b>87,950</b>	87,950	<b>87,950</b>	87,950
Retained profits	<b>23,040</b>	39,244	<b>22,742</b>	38,903
Other reserves	<b>198,645</b>	179,789	<b>198,645</b>	179,789
Less: goodwill and intangibles	<b>(32,535)</b>	(29,978)	<b>(32,535)</b>	(29,978)
Less: deferred tax assets	<b>(95,002)</b>	(103,671)	<b>(95,002)</b>	(103,671)
Less: investment in subsidiary companies	-	-	<b>(154)</b>	(77)
Less: 55% of cumulative gains of financial instruments available-for-sale	<b>(978)</b>	-	<b>(978)</b>	-
<b>Total CET1 Capital</b>	<b>346,120</b>	338,334	<b>345,668</b>	337,916
<b>Tier 1 Capital</b>	<b>346,120</b>	338,334	<b>345,668</b>	337,916
<b>Tier 2 Capital</b>				
Redeemable preference shares ("RPS")	-	1,631	-	1,631
Collective assessment allowance <sup>(2)</sup> and regulatory reserve <sup>(3)</sup>	<b>3,825</b>	1,204	<b>3,825</b>	1,204
Subordinated obligations	<b>50,000</b>	-	<b>50,000</b>	-
Regulatory adjustments:				
- Investment in subsidiary companies	-	-	<b>(230)</b>	(306)
<b>Total Tier 2 Capital</b>	<b>53,825</b>	2,835	<b>53,595</b>	2,529
<b>Total Capital</b>	<b>399,945</b>	341,169	<b>399,263</b>	340,445

Note:

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

(3) Includes the qualifying regulatory reserve for non-impaired loans and advances of RM3,031,000 (2014: RM Nil).

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>678,755</b>	896,229	<b>678,033</b>	896,087
Market risk	<b>483,713</b>	571,557	<b>483,713</b>	571,557
Operational risk	<b>298,237</b>	213,166	<b>297,840</b>	212,853
	<b>1,460,705</b>	1,680,952	<b>1,459,586</b>	1,680,497

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

**EXPLANATORY NOTES**

**27. Significant events during the financial quarter ended 30 June 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, except the following:

(a) RC Nominees (Asing) Sdn Bhd was dissolved on 5 June 2015.

**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 financial statements.

**30. Review of performance for the financial quarter ended 30 June 2015 against the corresponding financial quarter**

For the current financial quarter ended 30 June 2015, the Group recorded a profit before tax of RM26.5 million, as compared to a RM26.9 million recorded in the corresponding financial quarter. The slight decrease in profit of RM0.4 million was primarily attributable to the lower income earned from its Investment Banking Division.

**31. Prospects for 2016**

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.