

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.12.2014	30.06.2014	31.12.2014	30.06.2014
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		350,902	674,965	350,483	674,550
Reverse repurchase agreements		-	280,176	-	280,176
Deposits and placements with banks and other financial institutions		105,267	331,159	104,977	330,873
Financial assets at fair value through profit or loss	8	1,264,188	868,264	1,264,188	868,264
Financial investments available-for-sale	9	837,061	636,585	837,061	636,585
Financial investments held-to-maturity	10	348,360	358,413	348,360	358,413
Derivative financial assets	17	53,884	40,951	53,884	40,951
Loans and advances	11	402,097	431,414	402,097	431,414
Clients' and brokers' balances	12	149,243	284,378	149,243	284,378
Other assets	13	43,844	46,064	43,835	46,055
Statutory deposits with Bank Negara Malaysia		39,500	30,750	39,500	30,750
Investment in subsidiaries		-	-	383	383
Deferred tax assets		103,459	103,671	103,459	103,671
Property and equipment		5,130	5,487	5,130	5,487
Intangible assets - computer software		1,167	992	1,167	992
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,733,088	4,122,255	3,732,753	4,121,928
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	823,045	631,566	823,045	631,566
Deposits and placements of banks and other financial institutions	16	1,928,778	2,054,960	1,928,778	2,054,960
Repurchased agreements		226,509	179,087	226,509	179,087
Derivative financial liabilities	17	57,207	24,773	57,207	24,773
Clients' and brokers' balances		130,764	250,437	130,764	250,437
Provision for tax		1	4	-	-
Other liabilities	18	74,276	507,814	74,269	507,832
Subordinated obligations		50,205	-	50,205	-
TOTAL LIABILITIES		3,290,785	3,648,641	3,290,777	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		275,672	306,983	275,345	306,642
TOTAL EQUITY		442,303	473,614	441,976	473,273
TOTAL EQUITY AND LIABILITIES		3,733,088	4,122,255	3,732,753	4,121,928
COMMITMENTS AND CONTINGENCIES					
	24	7,735,641	6,116,545	7,735,641	6,116,545
Net assets per ordinary share (RM)		2.68	2.87	2.68	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 DECEMBER 2014

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
		RM'000	RM'000	RM'000	RM'000
Interest income	19	34,216	25,920	65,428	48,395
Interest expense	20	(23,198)	(19,016)	(42,879)	(34,017)
Net interest income		11,018	6,904	22,549	14,378
Non-interest income	21	24,116	46,207	48,669	76,618
Net income		35,134	53,111	71,218	90,996
Other operating expenses	22	(20,574)	(35,891)	(40,617)	(57,901)
Net operating profit		14,560	17,220	30,601	33,095
(Allowance for)/writeback of impairment losses on loans and advances and other losses	23	(118)	51	(104)	(196)
Profit before taxation		14,442	17,271	30,497	32,899
Taxation		524	5,898	(38)	12,204
Net profit for the financial period		14,966	23,169	30,459	45,103
Earnings per share (sen)					
- Basic		9.1	14.0	18.5	27.3
- Diluted		9.1	14.0	18.5	27.3

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 DECEMBER 2014

	Individual Quarter		The Group	
	Current	Last year's	Cumulative Months Ended	Last
	quarter ended	quarter ended	Current	year's ended
	31.12.2014	31.12.2013	year ended	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	14,966	23,169	30,459	45,103
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	(840)	(2,903)	700	(3,544)
Income tax relating to net fair value changes on financial investments available-for-sale	210	726	(175)	886
Other comprehensive income/(expense) for the financial period, net of tax	(630)	(2,177)	525	(2,658)
Total comprehensive income for the financial period, net of tax	14,336	20,992	30,984	42,445

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 DECEMBER 2014

	Note	The Bank			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
		RM'000	RM'000	RM'000	RM'000
Interest income	19	34,216	25,920	65,428	48,387
Interest expense	20	(23,198)	(19,016)	(42,879)	(34,017)
Net interest income		11,018	6,904	22,549	14,370
Non-interest income	21	24,096	46,164	48,591	76,497
Net income		35,114	53,068	71,140	90,867
Other operating expenses	22	(20,530)	(35,838)	(40,527)	(57,791)
Net operating profit		14,584	17,230	30,613	33,076
(Allowance for)/writeback of impairment losses on loans and advances and other losses	23	(118)	51	(104)	(196)
Profit before taxation		14,466	17,281	30,509	32,880
Taxation		523	5,898	(36)	12,213
Net profit for the financial period		14,989	23,179	30,473	45,093
Earnings per share (sen)					
- Basic		9.1	14.1	18.5	27.3
- Diluted		9.1	14.1	18.5	27.3

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 DECEMBER 2014

	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	14,989	23,179	30,473	45,093
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	(840)	(2,903)	700	(3,544)
Income tax relating to net fair value changes on financial investments available-for-sale	210	726	(175)	886
Other comprehensive income/(expense) for the financial period, net of tax	(630)	(2,177)	525	(2,658)
Total comprehensive income for the financial period, net of tax	14,359	21,002	30,998	42,435

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 DECEMBER 2014

	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		-	-	-	-	-	30,459	30,459
Other comprehensive income, net of tax		-	-	-	-	525	-	525
Total comprehensive income for the financial period		-	-	-	-	525	30,459	30,984
Dividend paid		-	-	-	-	-	(62,295)	(62,295)
At 31 December 2014		165,000	1,631	87,950	180,479	(165)	7,408	442,303
At 1 July 2013		165,000	1,631	87,950	153,097	954	(14,875)	393,757
Net profit for the financial period		-	-	-	-	-	45,103	45,103
Other comprehensive expense, net of tax		-	-	-	-	(2,658)	-	(2,658)
Total comprehensive (expense)/income for the financial period		-	-	-	-	(2,658)	45,103	42,445
Dividend paid		-	-	-	-	-	(28,000)	(28,000)
At 31 December 2013		165,000	1,631	87,950	153,097	(1,704)	2,228	408,202

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 DECEMBER 2014

	Non-distributable				Distributable		Total RM'000
	Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Retained profits/ (accumulated losses) 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	-	-	-	-	-	30,473	30,473
Other comprehensive income, net of tax	-	-	-	-	525	-	525
Total comprehensive income for the financial period	-	-	-	-	525	30,473	30,998
Dividend paid	-	-	-	-	-	(62,295)	(62,295)
At 31 December 2014	165,000	1,631	87,950	180,479	(165)	7,081	441,976
At 1 July 2013	165,000	1,631	87,950	153,097	954	(15,241)	393,391
Net profit for the financial period	-	-	-	-	-	45,093	45,093
Other comprehensive expense, net of tax	-	-	-	-	(2,658)	-	(2,658)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(2,658)	45,093	42,435
Dividend paid	-	-	-	-	-	(28,000)	(28,000)
At 31 December 2013	165,000	1,631	87,950	153,097	(1,704)	1,852	407,826

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 DECEMBER 2014

	The Group		The Bank	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	30,497	32,899	30,509	32,880
Adjustments for non-cash items	(26,516)	(30,764)	(26,516)	(30,764)
Operating profit before changes in working capital	3,981	2,135	3,993	2,116
Changes in working capital:				
Net changes in operating assets	284,222	(66,004)	284,226	(65,979)
Net changes in operating liabilities	(440,850)	620,380	(440,875)	620,355
Net income tax paid	(5)	(8)	-	-
Net cash (used in)/generated from operating activities	(152,652)	556,503	(152,656)	556,492
Net cash used in investing activities	(158,925)	(696,347)	(158,925)	(695,841)
Net cash used in financing activities	(12,486)	(28,000)	(12,486)	(28,000)
Net changes in cash and cash equivalents	(324,063)	(167,844)	(324,067)	(167,349)
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	350,902	388,425	350,483	387,353
Cash and cash equivalents comprise:				
Cash and short term funds	350,902	388,425	350,483	387,353

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 December 2014 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 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 31 December 2014.

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 December 2014.

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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 December 2014, other than as mentioned below.

Issuance of Tier 2 Subordinated Notes

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

7. Dividends

During the financial quarter, a single-tier final dividend of 38.20 sen per share on the Bank's issued and paid-up Redeemable Preference Shares comprising 163,076,524 Redeemable Preference Shares amounting to RM62,295,232 in respect of the financial year ended 30 June 2014 was paid on 7 November 2014.

8. Financial assets at fair value through profit or loss

	<u>The Group and the Bank</u>	
	<u>31.12.2014</u>	<u>30.06.2014</u>
	<u>RM'000</u>	<u>RM'000</u>
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Securities	50,477	-
Bank Negara Malaysia bills	49,873	-
Negotiable instruments of deposits	402,414	403,428
Bankers' acceptances	163,078	316,639
	<u>665,842</u>	<u>720,067</u>
Quoted securities		
In Malaysia:		
Shares	7,476	8,360
Unquoted securities		
Foreign currency bonds	123,305	33,777
Private and Islamic debt securities	464,792	106,060
	<u>588,097</u>	<u>139,837</u>
	<u>1,261,415</u>	<u>868,264</u>
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	2,773	-
	<u>1,264,188</u>	<u>868,264</u>

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EXPLANATORY NOTES

9. Financial investments available-for-sale

	The Group and the Bank	
	31.12.2014	30.06.2014
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	80,785	30,512
Malaysian Government Investment Issues	129,306	139,398
Cagamas bonds	15,060	15,063
	225,151	184,973
Unquoted securities		
Shares	245	245
Foreign currency bonds	214,274	72,619
Private and Islamic debt securities	397,391	378,748
	611,910	451,612
	837,061	636,585

10. Financial investments held-to-maturity

	The Group and the Bank	
	31.12.2014	30.06.2014
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	51,216	51,316
Malaysian Government Investment Issues	20,419	25,517
Negotiable instruments of deposits	-	51,499
	71,635	128,332
Unquoted securities		
Foreign currency bonds	211,273	194,666
Private and Islamic debt securities	65,452	35,415
	276,725	230,081
	348,360	358,413

11. Loans and advances

	The Group and the Bank	
	31.12.2014	30.06.2014
	RM'000	RM'000
Term loan financing	187,372	140,112
Share margin financing	215,451	291,384
Staff loans	82	100
Other loans	824	1,319
Gross loans and advances	403,729	432,915
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(110)	(194)
- collective assessment allowance	(1,522)	(1,307)
Total net loans and advances	402,097	431,414

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

		The Group and the Bank	
		31.12.2014	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	88,612	72,653
	- Others	123,009	115,866
	Individuals	192,024	244,144
	Foreign entities	84	252
		403,729	432,915
(ii)	Gross loans and advances analysed by interest rate sensitivity are as follows:		
	Variable rate	402,823	385,479
	Fixed rate		
	- Staff housing loans	82	83
	- Other fixed rate loans	824	47,353
		403,729	432,915
(iii)	Gross loans and advances analysed by residual contractual maturity are as follows:		
	Maturing within one year	340,607	365,350
	One year to three years	2	3
	Three years to five years	62,275	67,479
	Over five years	845	83
		403,729	432,915
(iv)	Loans and advances analysed by their economic purposes are as follows:		
	Working capital	149,855	140,112
	Purchase of securities	252,968	291,384
	Purchase of transport vehicles	113	157
	Purchase of landed properties	793	1,256
	Others	-	6
		403,729	432,915
(v)	Gross loans and advances analysed by geographical distribution are as follows:		
	Malaysia	403,729	432,915

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.12.2014	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	-	156
Amount written-back during the financial period/year	(86)	(426)
Balance at end of the period/year	767	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	(84)	(60)
Balance at end of the period/year	110	194
Collective assessment allowance		
Balance at beginning of the year	1,307	738
Allowance made during the financial period/year	215	569
Balance at end of the period/year	1,522	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	656	738
	767	853

12. Clients' and brokers' balances

	The Group and the Bank	
	31.12.2014	30.06.2014
	RM'000	RM'000
Performing accounts	147,161	283,807
Impaired accounts	2,536	956
	149,697	284,763
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(426)	(370)
- collective assessment allowance	(28)	(15)
	149,243	284,378

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EXPLANATORY NOTES

13. Other assets

	The Group		The Bank	
	31.12.2014	30.06.2014	31.12.2014	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	8	7	-	-
Amount due from related companies	422	283	422	283
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts	43,414	45,774	43,413	45,772
	43,844	46,064	43,835	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	
	31.12.2014	30.06.2014
	RM'000	RM'000
Fixed Deposit	823,045	631,566
(i) By Type of deposit		
Fixed Deposit	823,045	631,566
(ii) By Type of customer		
Government & statutory bodies	537,425	534,103
Business enterprises	284,592	96,453
Individuals	1,028	1,010
	823,045	631,566
(iii) The maturity structure of fixed deposits is as follows:		
Due within six months	823,045	631,566

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2014	30.06.2014
	RM'000	RM'000
Bank Negara Malaysia	-	96,343
Licensed banks	787,637	553,736
Licensed investment banks	37,603	52,804
Other financial institutions	1,103,538	1,352,077
	1,928,778	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
31.12.2014			
Interest rate related contracts:			
- Interest rate swaps	3,849,500	11,880	(17,785)
- Futures	630,709	1,278	-
- Cross currency swaps	104,917	3,653	(521)
Foreign exchange related contracts:			
- Foreign currency swaps	1,644,195	30,993	(38,880)
- Foreign currency forwards	45,946	168	(21)
- Foreign currency spots	17,486	13	-
Equity related contracts:			
- Call options	11,500	5,899	-
	6,304,253	53,884	(57,207)
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	
	31.12.2014 RM'000	30.06.2014 RM'000	31.12.2014 RM'000	30.06.2014 RM'000
Amount due to holding company	168	266	168	266
Amount due to a subsidiary companies	-	-	-	153
Amount due to related companies	-	2	-	2
Remisiers' trust deposits	13,763	13,777	13,763	13,777
ESOS liabilities	2,487	14,624	2,487	14,624
Other payables and accrued liabilities	57,557	478,844	57,550	478,709
Provision for post employment benefits	301	301	301	301
	74,276	507,814	74,269	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
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances	5,964	4,649	12,133	7,874
Money at call and deposit placements with financial institutions	4,094	5,895	10,933	12,876
Financial assets at fair value through profit or loss	10,957	5,517	17,540	10,867
Financial investments available-for-sale	7,384	4,376	13,892	7,596
Financial investments held-to-maturity	2,823	4,472	5,451	7,166
Derivative financial instruments	794	740	1,458	1,460
Others	2,200	271	4,021	556
Total interest income	34,216	25,920	65,428	48,395

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances	5,964	4,649	12,133	7,874
Money at call and deposit placements with financial institutions	4,094	5,895	10,933	12,868
Financial assets at fair value through profit or loss	10,957	5,517	17,540	10,867
Financial investments available-for-sale	7,384	4,376	13,892	7,596
Financial investments held-to-maturity	2,823	4,472	5,451	7,166
Derivative financial instruments	794	740	1,458	1,460
Others	2,200	271	4,021	556
Total interest income	34,216	25,920	65,428	48,387

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
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,144	5,367	8,331	8,457
Deposits from customers	15,826	11,702	30,437	22,118
Derivative financial instruments	1,700	1,848	3,454	3,219
Subordinated notes	396	-	396	-
Others	132	99	261	223
Total interest expense	23,198	19,016	42,879	34,017

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EXPLANATORY NOTES

21. Non-interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2014 RM'000	Last year's quarter ended 31.12.2013 RM'000	Current year ended 31.12.2014 RM'000	Last year's ended 31.12.2013 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	4,578	2,797	7,483	4,577
Arranger fees	2,540	3,425	3,425	10,584
Underwriting commissions	-	-	-	614
Brokerage income	13,527	13,903	29,692	27,719
Fees on loans and advances	545	549	1,205	1,107
Other fee income	2,243	6,303	6,326	13,403
	23,433	26,977	48,131	58,004
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
- financial assets at fair value through profit or loss	(629)	(84)	(489)	(3,615)
- financial investments available-for-sale	7	1,178	438	2,768
- derivative financial instruments	(131)	(1,479)	(5,933)	2,473
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(1,236)	2,108	(4,476)	6,653
- derivative financial instruments	(1,955)	16,729	(2,138)	14,917
Dividend income from:				
- financial assets at fair value through profit or loss	129	-	445	305
	(3,815)	18,452	(12,153)	23,501
<u>Other income:</u>				
Loss on disposal of property and equipment	(1)	-	(1)	-
Foreign exchange gain/(loss)	4,458	658	12,539	(5,116)
Other non-operating income	41	120	153	229
	4,498	778	12,691	(4,887)
	24,116	46,207	48,669	76,618

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EXPLANATORY NOTES

21. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2014 RM'000	Last year's quarter ended 31.12.2013 RM'000	Current year ended 31.12.2014 RM'000	Last year's ended 31.12.2013 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	4,578	2,797	7,483	4,577
Arranger fees	2,540	3,425	3,425	10,584
Underwriting commissions	-	-	-	614
Brokerage income	13,527	13,903	29,692	27,719
Fees on loans and advances	545	549	1,205	1,107
Other fee income	2,223	6,260	6,248	13,282
	23,413	26,934	48,053	57,883
<u>Net income from securities</u>				
Net realised (loss)/gain arising from sale of:				
- financial assets at fair value through profit or loss	(629)	(84)	(489)	(3,615)
- financial investments available-for-sale	7	1,178	438	2,768
- derivative financial instruments	(131)	(1,479)	(5,933)	2,473
Net unrealised (loss)/gain on revaluation of:				
- financial assets at fair value through profit or loss	(1,236)	2,108	(4,476)	6,653
- derivative financial instruments	(1,955)	16,729	(2,138)	14,917
Dividend income from:				
- financial assets at fair value through profit or loss	129	-	445	305
	(3,815)	18,452	(12,153)	23,501
<u>Other income:</u>				
Loss on disposal of property and equipment	(1)	-	(1)	-
Foreign exchange gain/(loss)	4,458	658	12,539	(5,116)
Other non-operating income	41	120	153	229
	4,498	778	12,691	(4,887)
	24,096	46,164	48,591	76,497

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EXPLANATORY NOTES

22. Other operating expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2014 RM'000	Last year's quarter ended 31.12.2013 RM'000	Current year ended 31.12.2014 RM'000	Last year's ended 31.12.2013 RM'000
Personnel expenses	12,058	27,468	24,035	41,058
Promotion and marketing related expenses	982	579	1,557	1,342
Establishment related expenses	3,792	4,115	7,708	8,030
General administrative expenses	3,742	3,729	7,317	7,471
	20,574	35,891	40,617	57,901
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	10,043	15,717	19,719	23,845
Defined contribution plan	1,363	1,303	2,714	2,548
Option charge arising from ESOS	(4)	9,793	358	13,533
Other employee benefits	656	655	1,244	1,132
	12,058	27,468	24,035	41,058
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	39	70	39	251
Entertainment and business improvement	911	456	1,444	912
Others	32	53	74	179
	982	579	1,557	1,342
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	434	495	910	980
Amortisation of intangible assets	175	120	336	246
Rental expenses	1,453	1,454	2,721	2,806
Others	1,730	2,046	3,741	3,998
	3,792	4,115	7,708	8,030
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	78	82	144	165
Legal and professional fees	802	824	1,597	1,895
Others	2,862	2,823	5,576	5,411
	3,742	3,729	7,317	7,471

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EXPLANATORY NOTES

22. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.12.2014 RM'000	Last year's quarter ended 31.12.2013 RM'000	Current year ended 31.12.2014 RM'000	Last year's ended 31.12.2013 RM'000
Personnel expenses	12,028	27,439	23,974	41,000
Promotion and marketing related expenses	982	579	1,557	1,342
Establishment related expenses	3,783	4,105	7,690	8,007
General administrative expenses	3,737	3,715	7,306	7,442
	20,530	35,838	40,527	57,791
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	10,017	15,692	19,667	23,796
Defined contribution plan	1,358	1,299	2,705	2,540
Option charge arising from ESOS	(4)	9,793	358	13,533
Other employee benefits	657	655	1,244	1,131
	12,028	27,439	23,974	41,000
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	39	70	39	251
Entertainment and business improvement	911	456	1,444	912
Others	32	53	74	179
	982	579	1,557	1,342
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	434	495	910	980
Amortisation of intangible assets	175	120	336	246
Rental expenses	1,445	1,446	2,705	2,790
Others	1,729	2,044	3,739	3,991
	3,783	4,105	7,690	8,007
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	76	79	140	160
Legal and professional fees	802	824	1,597	1,895
Others	2,859	2,812	5,569	5,387
	3,737	3,715	7,306	7,442

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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 31.12.2014 RM'000	Last year's quarter ended 31.12.2013 RM'000	Current year ended 31.12.2014 RM'000	Last year's ended 31.12.2013 RM'000
Allowance for losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial period	-	3	-	3
- written back during the financial period	(5)	(50)	(84)	(50)
(b) Collective assessment allowance made/(written back) during the financial period	179	(7)	215	384
Allowance for losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	25	95	141	147
- written back during the financial period	9	(26)	(86)	(135)
(b) Collective assessment allowance made/(written back) during the financial period	5	1	13	(14)
Bad debts on clients' and brokers' balances				
- recovered	-	(19)	-	(26)
Allowance for losses on other debtors:				
(a) Individual assessment allowance				
- written-back during the financial period	(95)	(48)	(95)	(113)
	118	(51)	104	196

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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	
	31.12.2014	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
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	688,644	627,233
Others	734,744	648,976
	1,431,388	1,596,011
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,625,681	724,036
- Over one year to five years	2,594,445	2,246,000
- Over five years	365,000	-
Foreign exchange related contracts:		
- One year or less	1,707,627	1,537,569
Equity related contracts:		
- One year or less	-	1,429
- Over one year to five years	11,500	11,500
	6,304,253	4,520,534
	7,735,641	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
31.12.2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at fair value through profit or loss	10,249	1,253,939	-	1,264,188
- Money market instruments	-	665,842	-	665,842
- Quoted securities	10,249	-	-	10,249
- Unquoted securities	-	588,097	-	588,097
Financial investments available-for-sale	-	836,816	245	837,061
- Money market instruments	-	225,151	-	225,151
- Unquoted securities	-	611,665	245	611,910
Derivative financial assets	-	53,884	-	53,884
	10,249	2,144,639	245	2,155,133
Financial liability				
Derivative financial liabilities	-	57,207	-	57,207
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	
	31.12.2014	30.06.2014
	RM'000	RM'000
As at 1 July	245	686
Redeemed during the period/year	-	(441)
As at 31 December/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	
	31.12.2014	30.06.2014	31.12.2014	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	17.558%	20.128%	17.538%	20.108%
Tier 1 capital ratio	17.558%	20.128%	17.538%	20.108%
Total capital ratio	20.928%	20.296%	20.889%	20.259%
After deducting proposed dividends:				
CET1 capital ratio	17.558%	16.422%	17.538%	16.401%
Tier 1 capital ratio	17.558%	16.422%	17.538%	16.401%
Total capital ratio	20.928%	16.590%	20.889%	16.552%

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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	
	31.12.2014	30.06.2014	31.12.2014	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	157,263	219,033	156,922	218,692
	410,213	471,983	409,872	471,642
Regulatory adjustments:				
- Goodwill and intangibles	(30,153)	(29,978)	(30,153)	(29,978)
- Deferred tax assets	(103,671)	(103,671)	(103,671)	(103,671)
- Other regulatory adjustments	-	-	(77)	(77)
Total CET1 Capital	276,389	338,334	275,971	337,916
Tier 1 Capital	276,389	338,334	275,971	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⁾	1,419	1,204	1,419	1,204
Subordinated obligations	50,000	-	50,000	-
Regulatory adjustments:				
- Investment in subsidiaries	-	-	(306)	(306)
Total Tier 2 Capital	53,050	2,835	52,744	2,529
Total Capital	329,439	341,169	328,715	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	
	31.12.2014	30.06.2014	31.12.2014	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	741,716	896,229	741,572	896,087
Market risk	582,316	571,557	582,316	571,557
Operational risk	250,104	213,166	249,717	212,853
	1,574,136	1,680,952	1,573,605	1,680,497

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EXPLANATORY NOTES

27. Significant events during the financial quarter ended 31 December 2014

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 December 2014 against the corresponding financial quarter

For the current financial quarter ended 31 December 2014, the Group recorded a profit before tax of RM14.4 million, as compared to a RM17.3 million recorded in the corresponding financial quarter. The decrease in profit of RM2.9 million was primarily attributable to the lower 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.