

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company No: 10209-W)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2013**

	Note	<b>The Group</b>		<b>The Bank</b>	
		As at	As at	As at	As at
		30.09.2013	30.06.2013	30.09.2013	30.06.2013
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		<b>280,433</b>	556,269	<b>279,371</b>	554,702
Reverse repurchase agreements		<b>290,232</b>	274,388	<b>290,232</b>	274,388
Deposits and placements with banks and other financial institutions		<b>121,231</b>	325,201	<b>120,952</b>	324,930
Financial assets at fair value through profit or loss	8	<b>726,095</b>	662,973	<b>726,095</b>	662,973
Financial investments available-for-sale	9	<b>433,782</b>	264,638	<b>433,782</b>	264,638
Financial investments held-to-maturity	10	<b>360,549</b>	253,911	<b>360,549</b>	253,911
Derivative financial assets	17	<b>50,608</b>	40,941	<b>50,608</b>	40,941
Loans and advances	11	<b>271,250</b>	174,184	<b>271,250</b>	174,184
Clients' and brokers' balances	12	<b>140,661</b>	147,539	<b>140,661</b>	147,539
Other assets	13	<b>31,086</b>	13,070	<b>31,075</b>	13,067
Statutory deposits with Bank Negara Malaysia		<b>14,100</b>	24,500	<b>14,100</b>	24,500
Investment in subsidiaries		-	-	<b>949</b>	1,455
Deferred tax assets		<b>68,454</b>	61,978	<b>68,454</b>	61,978
Property and equipment		<b>6,518</b>	6,667	<b>6,518</b>	6,667
Intangible assets - computer software		<b>966</b>	1,054	<b>966</b>	1,054
Goodwill		<b>28,986</b>	28,986	<b>28,986</b>	28,986
<b>TOTAL ASSETS</b>		<b><u>2,824,951</u></b>	<u>2,836,299</u>	<b><u>2,824,548</u></b>	<u>2,835,913</u>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	15	<b>401,762</b>	470,169	<b>401,762</b>	470,169
Deposits and placements of banks and other financial institutions	16	<b>1,545,452</b>	1,542,975	<b>1,545,452</b>	1,542,975
Repurchased agreements		<b>183,961</b>	177,033	<b>183,961</b>	177,033
Derivative financial liabilities	17	<b>44,567</b>	32,773	<b>44,567</b>	32,773
Clients' and brokers' balances		<b>106,118</b>	127,327	<b>106,118</b>	127,327
Other liabilities	18	<b>127,881</b>	92,265	<b>127,864</b>	92,245
<b>TOTAL LIABILITIES</b>		<b><u>2,409,741</u></b>	<u>2,442,542</u>	<b><u>2,409,724</u></b>	<u>2,442,522</u>
<b>EQUITY</b>					
Share capital		<b>165,000</b>	165,000	<b>165,000</b>	165,000
Redeemable preference shares		<b>1,631</b>	1,631	<b>1,631</b>	1,631
Reserves		<b>248,579</b>	227,126	<b>248,193</b>	226,760
<b>TOTAL EQUITY</b>		<b><u>415,210</u></b>	<u>393,757</u>	<b><u>414,824</u></b>	<u>393,391</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,824,951</u></b>	<u>2,836,299</u>	<b><u>2,824,548</u></b>	<u>2,835,913</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	24	<b><u>7,285,929</u></b>	<u>6,181,545</u>	<b><u>7,285,929</u></b>	<u>6,181,545</u>
<b>Net assets per ordinary share (RM)</b>		<b><u>2.52</u></b>	<u>2.39</u>	<b><u>2.51</u></b>	<u>2.38</u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2013.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Note	The Group			
		Individual Quarter		Cummulative Months Ended	
		Current quarter ended 30.09.2013 RM'000	Last year's quarter ended 30.09.2012 RM'000	Current year ended 30.09.2013 RM'000	Last year's ended 30.09.2012 RM'000
Interest income	19	22,475	1,712	22,475	1,712
Interest expense	20	(15,001)	-	(15,001)	-
Net interest income		7,474	1,712	7,474	1,712
Non-interest income	21	30,411	1,317	30,411	1,317
Net income		37,885	3,029	37,885	3,029
Other operating expenses	22	(22,010)	(2,796)	(22,010)	(2,796)
Net operating profit		15,875	233	15,875	233
Allowance for impairment losses on loans and advances and other losses	23	(247)	(11)	(247)	(11)
<b>Profit before taxation</b>		<b>15,628</b>	222	<b>15,628</b>	222
Taxation		6,306	(2)	6,306	(2)
<b>Net profit for the financial period</b>		<b>21,934</b>	220	<b>21,934</b>	220
Earnings per share (sen)					
- Basic		13.3	0.3	13.3	0.3
- Diluted		13.3	0.3	13.3	0.3

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2013.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cummulative Months Ended</b>	
	<b>Current quarter ended 30.09.2013 RM'000</b>	<b>Last year's quarter ended 30.09.2012 RM'000</b>	<b>Current year ended 30.09.2013 RM'000</b>	<b>Last year's ended 30.09.2012 RM'000</b>
<b>Net profit for the financial period</b>	<b>21,934</b>	220	<b>21,934</b>	220
<b>Other comprehensive income/(loss):</b>				
Net fair value changes on financial investments available-for-sale	(641)	-	(641)	-
Income tax relating to net fair value changes on financial investments available-for-sale	<b>160</b>	-	<b>160</b>	-
<b>Other comprehensive income/(loss) for the financial period, net of tax</b>	<b>(481)</b>	-	<b>(481)</b>	-
<b>Total comprehensive income for the financial period, net of tax</b>	<b>21,453</b>	220	<b>21,453</b>	220

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2013.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Note	The Bank			
		Individual Quarter		Cummulative Months Ended	
		Current quarter ended 30.09.2013 RM'000	Last year's quarter ended 30.09.2012 RM'000	Current year ended 30.09.2013 RM'000	Last year's ended 30.09.2012 RM'000
Interest income	19	22,467	1,701	22,467	1,701
Interest expense	20	(15,001)	-	(15,001)	-
Net interest income		7,466	1,701	7,466	1,701
Non-interest income	21	30,333	1,286	30,333	1,286
Net income		37,799	2,987	37,799	2,987
Other operating expenses	22	(21,953)	(2,787)	(21,953)	(2,787)
Net operating profit		15,846	200	15,846	200
Allowance for impairment losses on loans and advances and other losses	23	(247)	(11)	(247)	(11)
<b>Profit before taxation</b>		<b>15,599</b>	189	<b>15,599</b>	189
Taxation		6,315	(2)	6,315	(2)
<b>Net profit for the financial period</b>		<b>21,914</b>	187	<b>21,914</b>	187
Earnings per share (sen)					
- Basic		13.3	0.3	13.3	0.3
- Diluted		13.3	0.3	13.3	0.3

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2013.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cummulative Months Ended</b>	
	<b>Current quarter ended 30.09.2013 RM'000</b>	<b>Last year's quarter ended 30.09.2012 RM'000</b>	<b>Current year ended 30.09.2013 RM'000</b>	<b>Last year's ended 30.09.2012 RM'000</b>
<b>Net profit for the financial period</b>	<b>21,914</b>	187	<b>21,914</b>	187
<b>Other comprehensive income/(loss):</b>				
Net fair value changes on financial investments available-for-sale	(641)	-	(641)	-
Income tax relating to net fair value changes on financial investments available-for-sale	<b>160</b>	-	<b>160</b>	-
<b>Other comprehensive income/(loss) for the financial period, net of tax</b>	<b>(481)</b>	-	<b>(481)</b>	-
<b>Total comprehensive income for the financial period, net of tax</b>	<b>21,433</b>	187	<b>21,433</b>	187

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2013.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Note	Non-distributable				Distributable (Accumulated losses)/		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 RM'000	
<b>The Group</b>								
<b>At 1 July 2013</b>		<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>153,097</b>	<b>954</b>	<b>(14,875)</b>	<b>393,757</b>
Net profit for the financial year		-	-	-	-	-	<b>21,934</b>	<b>21,934</b>
Other comprehensive loss		-	-	-	-	<b>(481)</b>	-	<b>(481)</b>
Total comprehensive profit for the financial year		-	-	-	-	<b>(481)</b>	<b>21,934</b>	<b>21,453</b>
<b>At 30 September 2013</b>		<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>153,097</b>	<b>473</b>	<b>7,059</b>	<b>415,210</b>
<b>At 1 July 2012</b>		75,000	-	87,950	83,385	-	(70,801)	175,534
Net profit for the financial period		-	-	-	-	-	220	220
Other comprehensive loss		-	-	-	-	-	-	-
Total comprehensive loss for the financial period		-	-	-	-	-	220	220
Vesting of assets & liabilities from Promilia								
- issuance of ordinary shares		90,000	-	-	-	-	-	90,000
- issuance of Redeemable Preference Shares		-	1,631	-	-	-	-	1,631
- effect of predecessor accounting		-	-	-	47,352	11,047	(14,893)	43,506
- merger deficit adjusted retained earnings		-	-	-	-	-	(1,577)	(1,577)
		90,000	1,631	-	47,352	11,047	(16,470)	133,560
<b>At 30 September 2012</b>		<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>130,737</b>	<b>11,047</b>	<b>(87,051)</b>	<b>309,314</b>

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Non-distributable				Distributable (Accumulated losses)/		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 RM'000	
<b><u>The Bank</u></b>							
<b>At 1 July 2013</b>	165,000	1,631	87,950	153,097	954	(15,241)	393,391
Net profit for the financial year	-	-	-	-	-	21,914	21,914
Other comprehensive loss	-	-	-	-	(481)	-	(481)
Total comprehensive profit for the financial year	-	-	-	-	(481)	21,914	21,433
<b>At 30 September 2013</b>	<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>153,097</b>	<b>473</b>	<b>6,673</b>	<b>414,824</b>
<b>At 1 July 2012</b>	75,000	-	87,950	83,385	-	(71,016)	175,319
Net profit for the financial period	-	-	-	-	-	187	187
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive loss for the financial period	-	-	-	-	-	187	187
Vesting of assets & liabilities from Promilia							
- issuance of ordinary shares	90,000	-	-	-	-	-	90,000
- issuance of Redeemable Preference Shares	-	1,631	-	-	-	-	1,631
- effect of predecessor accounting	-	-	-	47,352	11,047	(14,893)	43,506
- merger deficit adjusted retained earnings	-	-	-	-	-	(1,577)	(1,577)
	90,000	1,631	-	47,352	11,047	(16,470)	133,560
<b>At 30 September 2012</b>	<b>165,000</b>	<b>1,631</b>	<b>87,950</b>	<b>130,737</b>	<b>11,047</b>	<b>(87,299)</b>	<b>309,066</b>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2013.*

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2013</b>	<b>30.09.2012</b>	<b>30.09.2013</b>	<b>30.09.2012</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	<b>15,628</b>	222	<b>15,599</b>	189
Adjustments for non-cash items	<b>(9,046)</b>	136	<b>(9,046)</b>	136
Operating profit/(loss) before changes in working capital	<b>6,582</b>	358	<b>6,553</b>	325
Changes in working capital:				
Net changes in operating assets	<b>(243,046)</b>	(2,473)	<b>(243,025)</b>	(2,837)
Net changes in operating liabilities	<b>(48,335)</b>	199,916	<b>(48,332)</b>	198,723
Income tax paid	<b>(4)</b>	-	-	-
Net cash generated from operating activities	<b>(284,803)</b>	197,801	<b>(284,804)</b>	196,211
Cash flows generated from/(used in) investing activities	<b>8,967</b>	(3,494)	<b>9,473</b>	(9,971)
Net changes in cash and cash equivalents	<b>(275,836)</b>	194,307	<b>(275,331)</b>	186,240
Cash and cash equivalents at beginning of the period	<b>556,269</b>	70,112	<b>554,702</b>	69,693
Cash and cash equivalents at end of the period	<b>280,433</b>	264,419	<b>279,371</b>	255,933
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	<b>280,433</b>	264,419	<b>279,371</b>	255,933

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2013.*



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

**EXPLANATORY NOTES**

**1. Basis of Preparation**

The interim 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 2013.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2013, 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 2013:

MFRS 10	Consolidated financial statements
MFRS 12	Disclosures of interests in other entities
MFRS 13	Fair value measurements
MFRS 3	Business combinations (IFRS 3 Business combinations issued by IASB in March 2004)
The Revised MFRS 127	Separate financial statements (as amended by IASB in May 2011)
Amendment to MFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendment to MFRS 10 and MFRS 12	Presentation of items of other comprehensive income

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial impact to 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 Flow**

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 September 2013.

**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 September 2013.

**6. Issuance and Repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 30 September 2013.

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

**EXPLANATORY NOTES**

**7. Dividends Paid During the Current Financial Quarter**

There were no dividends paid during the financial quarter ended 30 September 2013.

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

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets held-for-trading</b>		
<b>Money market instruments</b>		
Malaysian Government Securities	49,960	20,107
Negotiable instruments of deposits	250,856	150,372
Bankers' acceptances	203,742	219,476
<b>Quoted securities</b>		
In Malaysia:		
Shares	9,211	9,570
Outside Malaysia:		
Foreign currency bonds	15,719	63,074
<b>Unquoted securities</b>		
Private and Islamic debt securities	189,582	194,599
	<b>719,070</b>	<b>657,198</b>
 <b>Financial assets designated at fair value through profit or loss</b>		
<b>Quoted securities</b>		
In Malaysia:		
Shares	7,025	5,775
	<b>726,095</b>	<b>662,973</b>

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

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	40,661	20,205
Malaysian Government Investment Issues	59,923	59,669
Cagamas bonds	5,157	5,122
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	138,920	86,476
<b>Unquoted securities</b>		
Shares	686	686
Private and Islamic debt securities	188,435	92,480
	<b>433,782</b>	<b>264,638</b>

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

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

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Malaysian Government Securities	50,976	-
Malaysian Government Investment Issues	5,053	5,107
Cagamas bonds	10,255	10,161
Negotiable instruments of deposits	50,002	-
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	198,619	192,912
<b>Unquoted securities</b>		
Private and Islamic debt securities	45,644	45,731
	<b>360,549</b>	<b>253,911</b>

**11. Loans and Advances**

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loan financing	113,649	33,533
Share margin financing	156,548	139,049
Revolving credits	-	60
Staff loans	104	458
Other loans	2,330	2,074
Gross loans and advances	<b>272,631</b>	<b>175,174</b>
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(252)	(252)
- collective assessment allowance	(1,129)	(738)
Total net loans and advances	<b>271,250</b>	<b>174,184</b>

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

Domestic business enterprises		
- Small and medium enterprises	29,070	26,600
- Others	134,210	52,708
Individuals	106,380	95,563
Foreign entities	2,971	303
	<b>272,631</b>	<b>175,174</b>

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

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

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:</b>		
Variable rate	222,574	123,482
Fixed rate		
- Staff housing loans	88	388
- Other fixed rate loans	49,969	51,237
Non-interest bearing	-	67
	<b>272,631</b>	<b>175,174</b>
<b>(iii) Gross loans and advances analysed by residual contractual maturity are as follows:</b>		
Maturing within one year	270,210	172,658
One year to three years	8	149
Three years to five years	120	119
Over five years	2,293	2,248
	<b>272,631</b>	<b>175,174</b>
<b>(iv) Loans and advances analysed by their economic purposes are as follows:</b>		
Working capital	113,649	33,592
Purchase of securities	156,444	139,049
Purchase of transport vehicles	182	235
Purchase of landed properties	2,356	2,298
Gross loans and advances	<b>272,631</b>	<b>175,174</b>
<b>(v) Gross loans and advances analysed by geographical distribution are as follows:</b>		
Malaysia	<b>272,631</b>	<b>175,174</b>
<b>(vi) Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
Balance at beginning of the year	1,123	-
Amount vested from Promilia Berhad	-	196
Impaired during the financial year/period	5	1,123
Amount written-back during the financial period/year	(246)	(196)
Balance at beginning of the period/year	<b>882</b>	<b>1,123</b>

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

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

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vii) Movements in allowance for loans and advances are as follows:</b>		
<b>Individual assessment allowance</b>		
Balance at beginning of the year	252	252
Allowance made during the financial period/year	-	-
Balance at end of the period/year	<u>252</u>	<u>252</u>
<b>Collective assessment allowance</b>		
Balance at beginning of the year	738	160
Amount vested from Promilia	-	745
Allowance made/(written back) during the financial period/year	391	(167)
Balance at end of the period/year	<u>1,129</u>	<u>738</u>
<b>(viii) Impaired loans and advances analysed by their economic purposed are as follows:</b>		
Purchase of transport vehicles	113	156
Purchase of landed properties	769	967
Balance at end of the period/year	<u>882</u>	<u>1,123</u>

**12. Clients' and Brokers' Balances**

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	140,468	147,145
Impaired accounts	532	805
	<u>141,000</u>	<u>147,950</u>
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(321)	(378)
- collective assessment allowance	(18)	(33)
	<u>140,661</u>	<u>147,539</u>

**13. Other Assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax recoverable	13	5	-	-
Amount due from holding company	271	793	271	793
Amount due from subsidiary companies	-	-	233	3
Amount due from related companies	-	352	-	352
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts	<u>30,802</u>	<u>11,920</u>	<u>30,571</u>	<u>11,919</u>
	<u>31,086</u>	<u>13,070</u>	<u>31,075</u>	<u>13,067</u>

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

**14. Valuation of Property and Equipment**

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

**15. Deposits from customers**

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	<b>401,762</b>	470,169
<b>(i) By Type of deposit</b>		
Fixed Deposit	<b>401,762</b>	470,169
<b>(ii) By Type of customer</b>		
Government & statutory bodies	<b>379,589</b>	429,322
Business enterprises	<b>22,173</b>	40,847
	<b>401,762</b>	470,169
<b>(iii) The maturity structure of fixed deposits is as follows:</b>		
Due within six months	<b>401,762</b>	470,169

**16. Deposits and Placements of Banks and Other Financial Institutions**

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	-	316,207
Licensed banks	<b>488,544</b>	128,060
Licensed investment banks	<b>50,093</b>	105,866
Other financial institutions	<b>1,006,815</b>	992,842
	<b>1,545,452</b>	1,542,975

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

**17. Derivative financial instruments**

	<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>30.09.2013</b>			
Interest rate related contracts:			
- Interest rate swaps	2,351,000	6,428	(20,154)
- Futures	1,304,605	322	(4,101)
- Cross currency swaps	65,190	172	(26)
Foreign exchange related contracts:			
- Foreign currency swaps	2,182,972	25,177	(20,209)
- Foreign currency forwards	55,661	523	(77)
- Foreign currency spots	6,519	71	-
Equity related contracts:			
- Call options	12,858	17,915	-
	<b>5,978,805</b>	<b>50,608</b>	<b>(44,567)</b>

**30.06.2013**

Interest rate related contracts:			
- Interest rate swaps	1,888,500	6,615	(11,778)
- Futures	894,809	2,239	(942)
- Cross currency swaps	94,809	222	(278)
Foreign exchange related contracts:			
- Foreign currency swaps	2,064,470	14,835	(19,645)
- Foreign currency forwards	19,011	-	(128)
- Foreign currency spots	12,641	12	(2)
Equity related contracts:			
- Call options	12,858	17,018	-
	<b>4,987,098</b>	<b>40,941</b>	<b>(32,773)</b>

**18. Other liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Remisiers' trust deposits	13,948	15,482	13,948	15,482
ESOS liabilities	12,168	8,428	12,168	8,428
Other payables and accrued liabilities	101,468	68,059	101,451	68,039
Provision for post employment benefits	297	296	297	296
	<b>127,881</b>	<b>92,265</b>	<b>127,864</b>	<b>92,245</b>

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

**19. Interest Income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cummulative 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>30.09.2013</b>	<b>30.09.2012</b>	<b>30.09.2013</b>	<b>30.09.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	3,225	1,182	3,225	1,182
Money at call and deposit placements with financial institutions	6,981	482	6,981	482
Financial assets at fair value through profit or loss	5,350	-	5,350	-
Financial investments available-for-sale	3,220	-	3,220	-
Financial investments held-to-maturity	2,694	-	2,694	-
Derivative financial instruments	720	-	720	-
Others	285	48	285	48
<b>Total interest income</b>	<b>22,475</b>	<b>1,712</b>	<b>22,475</b>	<b>1,712</b>

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cummulative 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>30.09.2013</b>	<b>30.09.2012</b>	<b>30.09.2013</b>	<b>30.09.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	3,225	1,182	3,225	1,182
Money at call and deposit placements with financial institutions	6,973	482	6,973	482
Financial assets at fair value through profit or loss	5,350	-	5,350	-
Financial investments available-for-sale	3,220	-	3,220	-
Financial investments held-to-maturity	2,694	-	2,694	-
Derivative financial instruments	720	-	720	-
Others	285	37	285	37
<b>Total interest income</b>	<b>22,467</b>	<b>1,701</b>	<b>22,467</b>	<b>1,701</b>

**20. Interest Expense**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cummulative 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>30.09.2013</b>	<b>30.09.2012</b>	<b>30.09.2013</b>	<b>30.09.2012</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	3,090	-	3,090	-
Deposits from customers	10,416	-	10,416	-
Derivative financial instruments	1,371	-	1,371	-
Others	124	-	124	-
<b>Total interest expense</b>	<b>15,001</b>	<b>-</b>	<b>15,001</b>	<b>-</b>



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

**21. Non-interest Income**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cummulative Months Ended</b>	
	<b>Current quarter ended 30.09.2013 RM'000</b>	<b>Last year's quarter ended 30.09.2012 RM'000</b>	<b>Current year ended 30.09.2013 RM'000</b>	<b>Last year's ended 30.09.2012 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	1,780	80	1,780	80
Arranger fees	7,159	-	7,159	-
Underwriting commissions	614	-	614	-
Brokerage commissions	13,816	985	13,816	985
Fees on loans and advances	558	98	558	98
Other fee income	7,100	175	7,100	175
	<b>31,027</b>	1,338	<b>31,027</b>	1,338
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	(3,531)	-	(3,531)	-
- financial investments available-for-sale	1,590	-	1,590	-
- derivative financial instruments	3,952	-	3,952	-
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	4,545	-	4,545	-
- derivative financial instruments	(1,812)	-	(1,812)	-
Dividend income from:				
- financial assets at fair value through profit or loss	305	-	305	-
- financial investments available-for-sale	-	-	-	-
	<b>5,049</b>	-	<b>5,049</b>	-
<u>Other income:</u>				
Foreign exchange loss	(5,774)	-	(5,774)	-
Other non-operating income/(expense)	109	(21)	109	(21)
	<b>(5,665)</b>	(21)	<b>(5,665)</b>	(21)
	<b>30,411</b>	1,317	<b>30,411</b>	1,317

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

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

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cummulative Months Ended</b>	
	<b>Current quarter ended 30.09.2013 RM'000</b>	<b>Last year's quarter ended 30.09.2012 RM'000</b>	<b>Current year ended 30.09.2013 RM'000</b>	<b>Last year's ended 30.09.2012 RM'000</b>
<u>Fee and commission income:</u>				
Corporate advisory fees	1,780	80	1,780	80
Arranger fees	7,159	-	7,159	-
Underwriting commissions	614	-	614	-
Brokerage commissions	13,816	985	13,816	985
Fees on loans and advances	558	98	558	98
Other fee income	7,022	175	7,022	175
	<b>30,949</b>	1,338	<b>30,949</b>	1,338
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	(3,531)	-	(3,531)	-
- financial investments available-for-sale	1,590	-	1,590	-
- derivative financial instruments	3,952	-	3,952	-
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	4,545	-	4,545	-
- derivative financial instruments	(1,812)	-	(1,812)	-
Dividend income from:				
- financial assets at fair value through profit or loss	305	-	305	-
	<b>5,049</b>	-	<b>5,049</b>	-
<u>Other income:</u>				
Foreign exchange loss	(5,774)	-	(5,774)	-
Other non-operating income/(expense)	109	(52)	109	(52)
	<b>(5,665)</b>	(52)	<b>(5,665)</b>	(52)
	<b>30,333</b>	1,286	<b>30,333</b>	1,286

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

**22. Other Operating Expenses**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cummulative Months Ended</b>	
	<b>Current quarter ended 30.09.2013 RM'000</b>	<b>Last year's quarter ended 30.09.2012 RM'000</b>	<b>Current year ended 30.09.2013 RM'000</b>	<b>Last year's ended 30.09.2012 RM'000</b>
Personnel expenses	13,590	1,457	13,590	1,457
Promotion and marketing related expenses	763	13	763	13
Establishment related expenses	3,915	808	3,915	808
General administrative expenses	3,742	518	3,742	518
	<b>22,010</b>	<b>2,796</b>	<b>22,010</b>	<b>2,796</b>
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	8,128	1,158	8,128	1,158
Defined contribution plan	1,245	202	1,245	202
Option charge arising from ESOS	3,740	-	3,740	-
Other employee benefits	477	97	477	97
	<b>13,590</b>	<b>1,457</b>	<b>13,590</b>	<b>1,457</b>
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	181	-	181	-
Entertainment and business improvement	456	-	456	-
Others	126	13	126	13
	<b>763</b>	<b>13</b>	<b>763</b>	<b>13</b>
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	485	121	485	121
Amortisation of intangible assets	126	4	126	4
Rental of premises	1,352	370	1,352	370
Others	1,952	313	1,952	313
	<b>3,915</b>	<b>808</b>	<b>3,915</b>	<b>808</b>
<b>(iv) General administrative expenses comprise the following:</b>				
Auditors' remuneration				
- Statutory audit	83	(6)	83	(6)
Legal and professional fees	1,071	82	1,071	82
Others	2,588	442	2,588	442
	<b>3,742</b>	<b>518</b>	<b>3,742</b>	<b>518</b>

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**EXPLANATORY NOTES**

**22. Other Operating Expenses (continued)**

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cummulative Months Ended</b>	
	<b>Current quarter ended 30.09.2013 RM'000</b>	<b>Last year's quarter ended 30.09.2012 RM'000</b>	<b>Current year ended 30.09.2013 RM'000</b>	<b>Last year's ended 30.09.2012 RM'000</b>
Personnel expenses	13,561	1,457	13,561	1,457
Promotion and marketing related expenses	763	13	763	13
Establishment related expenses	3,902	808	3,902	808
General administrative expenses	3,727	509	3,727	509
	<b>21,953</b>	<b>2,787</b>	<b>21,953</b>	<b>2,787</b>
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	8,104	1,158	8,104	1,158
Defined contribution plan	1,241	202	1,241	202
Option charge arising from ESOS	3,740	-	3,740	-
Other employee benefits	476	97	476	97
	<b>13,561</b>	<b>1,457</b>	<b>13,561</b>	<b>1,457</b>
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	181	-	181	-
Entertainment and business improvement	456	-	456	-
Others	126	13	126	13
	<b>763</b>	<b>13</b>	<b>763</b>	<b>13</b>
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property and equipment	485	121	485	121
Amortisation of intangible assets	126	4	126	4
Rental of premises	1,344	370	1,344	370
Others	1,947	313	1,947	313
	<b>3,902</b>	<b>808</b>	<b>3,902</b>	<b>808</b>
<b>(iv) General administrative expenses comprise the following:</b>				
Auditors' remuneration				
- Statutory audit	81	(8)	81	(8)
Legal and professional fees	1,071	74	1,071	74
Others	2,575	443	2,575	443
	<b>3,727</b>	<b>509</b>	<b>3,727</b>	<b>509</b>

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**EXPLANATORY NOTES**

**23. Allowance for Impairment Losses on Loans and Advances and Other Losses**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cummulative Months Ended</b>	
	<b>Current quarter ended 30.09.2013 RM'000</b>	<b>Last year's quarter ended 30.09.2012 RM'000</b>	<b>Current year ended 30.09.2013 RM'000</b>	<b>Last year's ended 30.09.2012 RM'000</b>
(Allowance for)/Write-back of losses on impaired loans and advances:				
(a) Collective assessment allowance				
- (made)/written back during the financial period	(391)	8	(391)	8
Allowance for losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	(52)	(12)	(52)	(12)
- written back during the financial period	109	10	109	10
(b) Collective assessment written back/(made) during the financial period	15	(17)	15	(17)
Bad debts on clients' and brokers' balances				
- recovered	7	-	7	-
Allowance for losses on other debtors:				
(a) Individual assessment allowance				
- written-back during the financial period	65	-	65	-
	<b>(247)</b>	<b>(11)</b>	<b>(247)</b>	<b>(11)</b>

**HONG LEONG INVESTMENT BANK BERHAD**  
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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.

	<b>The Group and the Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>Principal Amount RM'000</b>	<b>Principal Amount RM'000</b>
<b>Commitments and Contingent Liabilities</b>		
Direct Credit Substitutes	50,750	50,750
Obligations under underwriting agreement	38,360	-
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	20,000	-
- maturity over one year	69	69
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	520,079	507,022
Others	677,866	636,606
	<b>1,307,124</b>	<b>1,194,447</b>
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	1,344,605	716,412
- Over one year to five years	2,376,190	2,161,706
Foreign exchange related contracts:		
- One year or less	2,245,152	2,096,122
Equity related contracts:		
- One year or less	1,429	1,429
- Over one year to five years	11,429	11,429
	<b>5,978,805</b>	<b>4,987,098</b>
	<b>7,285,929</b>	<b>6,181,545</b>

**25. 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>30.09.2013</b>	<b>30.06.2013</b>	<b>30.09.2013</b>	<b>30.06.2013</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	24.497%	33.200%	24.485%	33.194%
Tier 1 capital ratio	24.497%	33.200%	24.485%	33.194%
Total capital ratio	24.717%	33.455%	24.628%	33.288%

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**EXPLANATORY NOTES**

**25. Capital Adequacy** (continued)

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>After deducting proposed dividends:</b>				
CET1 capital ratio	22.214%	30.108%	22.200%	30.099%
Tier 1 capital ratio	22.214%	30.108%	22.200%	30.099%
Total capital ratio	<b>22.434%</b>	<b>30.363%</b>	<b>22.343%</b>	<b>30.193%</b>

(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>30.09.2013</b>	<b>30.06.2013</b>	<b>30.09.2013</b>	<b>30.06.2013</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	165,000	165,000	165,000	165,000
Share premium	87,950	87,950	87,950	87,950
Other reserves	138,695	139,176	138,329	138,810
	<b>391,645</b>	<b>392,126</b>	<b>391,279</b>	<b>391,760</b>
Regulatory adjustments:				
- Goodwill	(28,986)	(28,986)	(28,986)	(28,986)
- Deferred tax assets	(61,978)	(61,978)	(61,978)	(61,978)
- Other regulatory adjustments	(260)	(525)	(260)	(525)
Total CET1 Capital	<b>300,421</b>	<b>300,637</b>	<b>300,055</b>	<b>300,271</b>
<b>Tier 1 Capital</b>	<b>300,421</b>	<b>300,637</b>	<b>300,055</b>	<b>300,271</b>
<b>Tier 2 Capital</b>				
Redeemable preference shares ("RPS")	1,631	1,631	1,631	1,631
Collective assessment allowance for losses on loans and advances <sup>(1)</sup>	1,066	678	1,066	678
Regulatory adjustments:				
- Investment in subsidiaries	-	-	(949)	(1,455)
Total Tier 2 Capital	<b>2,697</b>	<b>2,309</b>	<b>1,748</b>	<b>854</b>
<b>Total Capital</b>	<b>303,118</b>	<b>302,946</b>	<b>301,803</b>	<b>301,125</b>

Note:

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

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>30.09.2013</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	682,235	465,326	681,967	464,961
Market risk	408,500	321,448	408,500	321,448
Operational risk	135,606	118,761	134,993	118,189
	<b>1,226,341</b>	<b>905,535</b>	<b>1,225,460</b>	<b>904,598</b>

**HONG LEONG INVESTMENT BANK BERHAD**

*(Company No: 10209-W)*

**EXPLANATORY NOTES**

**26. Significant Events During the Financial Quarter Ended 30 September 2013**

There were no material significant events during the financial quarter .

**27. Changes in the Composition of the Group and Bank**

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

**28. 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.

**29. Review of performance for the financial quarter ended 30 September 2013 against the corresponding financial quarter**

For the current financial quarter ended 30 September 2013, the Group recorded a profit before tax of RM15.6 million, as compared to a RM0.2 million recorded in the corresponding financial quarter. The increase in profit of RM15.4 million was primarily attributable to the higher revenue arising from the vesting of business, assets and liabilities from Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) effective 1 October 2012.

**30. Prospects for 2014**

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.