

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

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.03.2014	30.06.2013	31.03.2014	30.06.2013
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		192,121	556,269	191,150	554,702
Reverse repurchase agreements		160,858	274,388	160,858	274,388
Deposits and placements with banks and other financial institutions		263,666	325,201	263,382	324,930
Financial assets at fair value through profit or loss	8	611,069	662,973	611,069	662,973
Financial investments available-for-sale	9	664,025	264,638	664,025	264,638
Financial investments held-to-maturity	10	471,406	253,911	471,406	253,911
Derivative financial assets	17	45,160	40,941	45,160	40,941
Loans and advances	11	280,471	174,184	280,471	174,184
Clients' and brokers' balances	12	138,165	147,539	138,165	147,539
Other assets	13	16,364	13,070	16,363	13,067
Statutory deposits with Bank Negara Malaysia		29,500	24,500	29,500	24,500
Investment in subsidiaries		-	-	929	1,455
Deferred tax assets		82,612	61,978	82,612	61,978
Property and equipment		5,835	6,667	5,835	6,667
Intangible assets - computer software		727	1,054	727	1,054
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		2,990,965	2,836,299	2,990,638	2,835,913
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	386,627	470,169	386,627	470,169
Deposits and placements of banks and other financial institutions	16	1,752,808	1,542,975	1,752,808	1,542,975
Repurchased agreements		189,071	177,033	189,071	177,033
Derivative financial liabilities	17	28,779	32,773	28,779	32,773
Clients' and brokers' balances		102,699	127,327	102,699	127,327
Other liabilities	18	104,555	92,265	104,585	92,245
TOTAL LIABILITIES		2,564,539	2,442,542	2,564,569	2,442,522
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Redeemable preference shares		1,631	1,631	1,631	1,631
Reserves		259,795	227,126	259,438	226,760
TOTAL EQUITY		426,426	393,757	426,069	393,391
TOTAL EQUITY AND LIABILITIES		2,990,965	2,836,299	2,990,638	2,835,913
COMMITMENTS AND CONTINGENCIES					
	24	6,171,457	6,181,545	6,171,457	6,181,545
Net assets per ordinary share (RM)		2.58	2.39	2.58	2.38

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 31 MARCH 2014

	Note	The Group			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
		RM'000	RM'000	RM'000	RM'000
Interest income	19	25,198	19,285	73,593	39,979
Interest expense	20	(18,035)	(10,962)	(52,052)	(21,953)
Net interest income		7,163	8,323	21,541	18,026
Non-interest income	21	27,508	38,597	104,126	80,146
Net income		34,671	46,920	125,667	98,172
Other operating expenses	22	(26,186)	(29,269)	(84,087)	(59,706)
Net operating profit		8,485	17,651	41,580	38,466
Writeback of/(allowance for) impairment losses on loans and advances and other losses	23	129	(65)	(67)	53
Profit before taxation		8,614	17,586	41,513	38,519
Taxation		8,046	(5,329)	20,250	(10,489)
Net profit for the financial period		16,660	12,257	61,763	28,030
Earnings per share (sen)					
- Basic		10.1	7.4	37.4	20.7
- Diluted		10.1	7.4	37.4	20.7

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 31 MARCH 2014

	<u>Individual Quarter</u>		<u>The Group</u> <u>Cumulative Months Ended</u>	
	<u>Current</u>	<u>Last year's</u>	<u>Current</u>	<u>Last</u>
	<u>quarter ended</u>	<u>quarter ended</u>	<u>year ended</u>	<u>year's ended</u>
	<u>31.03.2014</u>	<u>31.03.2013</u>	<u>31.03.2014</u>	<u>31.03.2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial period	16,660	12,257	61,763	28,030
Other comprehensive income/(expense):				
Net fair value changes on financial investments available-for-sale	2,085	(14,122)	(1,459)	(10,656)
Income tax relating to net fair value changes on financial investments available-for-sale	(521)	3,530	365	2,664
Other comprehensive income/(expense) for the financial period, net of tax	1,564	(10,592)	(1,094)	(7,992)
Total comprehensive income for the financial period, net of tax	18,224	1,665	60,669	20,038

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 31 MARCH 2014

	Note	The Bank			
		Individual Quarter		Cumulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
		RM'000	RM'000	RM'000	RM'000
Interest income	19	25,198	19,285	73,585	39,968
Interest expense	20	(18,035)	(10,962)	(52,052)	(21,953)
Net interest income		7,163	8,323	21,533	18,015
Non-interest income	21	27,471	38,496	103,968	79,951
Net income		34,634	46,819	125,501	97,966
Other operating expenses	22	(26,138)	(29,205)	(83,929)	(59,579)
Net operating profit		8,496	17,614	41,572	38,387
Writeback of/(allowance for) impairment losses on loans and advances and other losses	23	129	(65)	(67)	53
Profit before taxation		8,625	17,549	41,505	38,440
Taxation		8,054	(5,329)	20,267	(10,485)
Net profit for the financial period		16,679	12,220	61,772	27,955
Earnings per share (sen)					
- Basic		10.1	7.4	37.4	20.6
- Diluted		10.1	7.4	37.4	20.6

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 31 MARCH 2014

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	16,679	12,220	61,772	27,955
Other comprehensive income/(expense):				
Net fair value changes on financial investments available-for-sale	2,085	(14,122)	(1,459)	(10,656)
Income tax relating to net fair value changes on financial investments available-for-sale	(521)	3,530	365	2,664
Other comprehensive income/(expense) for the financial period, net of tax	1,564	(10,592)	(1,094)	(7,992)
Total comprehensive income for the financial period, net of tax	18,243	1,628	60,678	19,963

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 31 MARCH 2014

	Note	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		(Accumulated losses)/ Retained profits RM'000
The Group								
At 1 July 2013		165,000	1,631	87,950	153,097	954	(14,875)	393,757
Net profit for the financial year		-	-	-	-	-	61,763	61,763
Other comprehensive expense		-	-	-	-	(1,094)	-	(1,094)
Total comprehensive income for the financial period		-	-	-	-	(1,094)	61,763	60,669
Dividend paid		-	-	-	-	-	(28,000)	(28,000)
At 31 March 2014		165,000	1,631	87,950	153,097	(140)	18,888	426,426
At 1 July 2012		75,000	-	87,950	83,385	-	(70,801)	175,534
Net profit for the financial period		-	-	-	-	-	28,030	28,030
Other comprehensive income		-	-	-	-	(7,992)	-	(7,992)
Total comprehensive income for the financial period		-	-	-	-	(7,992)	28,030	20,038
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	(14,622)	43,777
- merger deficit adjusted retained earnings		-	-	-	-	-	(1,848)	(1,848)
		90,000	1,631	-	47,352	11,047	(16,470)	133,560
Gain arising from purchase of shares held for ESOS		-	-	-	-	-	1,875	1,875
At 31 March 2013		165,000	1,631	87,950	130,737	3,055	(57,366)	331,007

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 STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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	(Accumulated losses)/ Retained profits RM'000	
<u>The Bank</u>							
At 1 July 2013	165,000	1,631	87,950	153,097	954	(15,241)	393,391
Net profit for the financial year	-	-	-	-	-	61,772	61,772
Other comprehensive expense	-	-	-	-	(1,094)	-	(1,094)
Total comprehensive income for the financial period	-	-	-	-	(1,094)	61,772	60,678
Dividend paid	-	-	-	-	-	(28,000)	(28,000)
At 31 March 2014	165,000	1,631	87,950	153,097	(140)	18,531	426,069
At 1 July 2012	75,000	-	87,950	83,385	-	(71,016)	175,319
Net profit for the financial period	-	-	-	-	-	27,955	27,955
Other comprehensive income	-	-	-	-	(7,992)	-	(7,992)
Total comprehensive income for the financial period	-	-	-	-	(7,992)	27,955	19,963
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
Gain arising from purchase of shares held for ESOS	-	-	-	-	-	1,875	1,875
At 31 March 2013	165,000	1,631	87,950	130,737	3,055	(57,656)	330,717

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 31 MARCH 2014

	The Group		The Bank	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	41,513	38,519	41,505	38,440
Adjustments for non-cash items	(37,052)	(54,150)	(37,052)	(54,150)
Operating profit/(loss) before changes in working capital	4,461	(15,631)	4,453	(15,710)
Changes in working capital:				
Net changes in operating assets	(494,406)	303,944	(494,375)	309,155
Net changes in operating liabilities	122,470	256,590	122,520	239,165
Net income tax refund/(paid)	3	(9)	-	-
Net cash (used in)/generated from operating activities	(367,472)	544,894	(367,402)	532,610
Cash flows generated from investing activities	31,324	58,312	31,850	51,451
Net cash used in financing activities	(28,000)	-	(28,000)	-
Net changes in cash and cash equivalents	(364,148)	603,206	(363,552)	584,061
Cash and cash equivalents at beginning of the period	556,269	70,112	554,702	69,693
Cash and cash equivalents at end of the period	192,121	673,318	191,150	653,754
Cash and cash equivalents comprise:				
Cash and short term funds	192,121	673,318	191,150	653,754

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 flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 31 March 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 March 2014.

6. Issuance and repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 March 2014.

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

7. Dividends paid during the current financial quarter

There were no dividends paid during the financial quarter ended 31 March 2014.

8. Financial assets at fair value through profit or loss

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Securities	30,060	20,107
Negotiable instruments of deposits	101,928	150,372
Bankers' acceptances	-	219,476
Bank Negara Bills	236,633	-
Quoted securities		
In Malaysia:		
Shares	8,242	9,570
Unquoted securities		
Foreign currency bonds	56,620	63,074
Private and Islamic debt securities	177,158	194,599
	610,641	657,198
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	428	5,775
	611,069	662,973

9. Financial investments available-for-sale

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	30,210	20,205
Malaysian Government Investment Issues	139,181	59,669
Cagamas bonds	15,153	5,122
Unquoted securities		
Shares	686	686
Foreign currency bonds	119,039	86,476
Private and Islamic debt securities	359,756	92,480
	664,025	264,638

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

EXPLANATORY NOTES

10. Financial investments held-to-maturity

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	50,874	-
Malaysian Government Investment Issues	25,290	5,107
Cagamas bonds	10,211	10,161
Negotiable instruments of deposits	151,300	-
Unquoted securities		
Foreign currency bonds	198,242	192,912
Private and Islamic debt securities	35,489	45,731
	471,406	253,911

11. Loans and advances

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
Term loan financing	101,119	33,533
Share margin financing	179,183	139,049
Revolving credits	-	60
Staff loans	93	458
Other loans	1,348	2,074
Gross loans and advances	281,743	175,174
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(195)	(252)
- collective assessment allowance	(1,077)	(738)
Total net loans and advances	280,471	174,184

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

Domestic business enterprises		
- Small and medium enterprises	24,927	26,600
- Others	122,242	52,708
Individuals	132,726	95,563
Foreign entities	1,848	303
	281,743	175,174

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:		
Variable rate	235,747	123,482
Fixed rate		
- Staff housing loans	93	388
- Other fixed rate loans	45,903	51,237
Non-interest bearing	-	67
	281,743	175,174
(iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	217,305	172,658
One year to three years	11,654	149
Three years to five years	51,454	119
Over five years	1,330	2,248
	281,743	175,174
(iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	101,119	33,592
Purchase of securities	179,184	139,049
Purchase of transport vehicles	115	235
Purchase of landed properties	1,322	2,298
Others	3	-
Gross loans and advances	281,743	175,174
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	281,743	175,174
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
Balance at beginning of the year	1,123	-
Amount vested from Promilia Berhad	-	196
Impaired during the financial period/year	5	1,123
Amount written-back during the financial period/year	(426)	(196)
Balance at end of the period/year	702	1,123

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
(vii) Movements in allowance for loans and advances are as follows:		
Individual assessment allowance		
Balance at beginning of the year	252	252
Allowance made during the financial period/year	2	-
Allowance written back during the financial period/year	(59)	-
Balance at end of the period/year	195	252
Collective assessment allowance		
Balance at beginning of the year	738	160
Amount vested from Promilia	-	745
Allowance made/(written back) during the financial period/year	339	(167)
Balance at end of the period/year	1,077	738
(viii) Impaired loans and advances analysed by their economic purposed are as follows:		
Purchase of transport vehicles	114	156
Purchase of landed properties	588	967
Balance at end of the period/year	702	1,123

12. Clients' and brokers' balances

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
Performing accounts	137,644	147,145
Impaired accounts	896	805
	138,540	147,950
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(346)	(378)
- collective assessment allowance	(29)	(33)
	138,165	147,539

13. Other assets

	The Group		The Bank	
	31.03.2014	30.06.2013	31.03.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	2	5	-	-
Amount due from holding company	565	793	565	793
Amount due from subsidiary companies	-	-	1	3
Amount due from related companies	-	352	-	352
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts	15,797	11,920	15,797	11,919
	16,364	13,070	16,363	13,067

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

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
Fixed Deposit	386,627	470,169
(i) By Type of deposit		
Fixed Deposit	386,627	470,169
(ii) By Type of customer		
Government & statutory bodies	352,518	429,322
Business enterprises	33,107	40,847
Individuals	1,002	-
	386,627	470,169
(iii) The maturity structure of fixed deposits is as follows:		
Due within six months	386,627	470,169

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.03.2014	30.06.2013
	RM'000	RM'000
Bank Negara Malaysia	-	316,207
Licensed banks	572,409	128,060
Licensed investment banks	50,119	105,866
Other financial institutions	1,130,280	992,842
	1,752,808	1,542,975

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

17. Derivative financial instruments

The Group and the Bank

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
31.03.2014			
Interest rate related contracts:			
- Interest rate swaps	2,361,000	10,242	(19,835)
- Futures	714,411	1,300	(275)
- Cross currency swaps	135,150	165	(35)
Foreign exchange related contracts:			
- Foreign currency swaps	1,525,444	14,769	(8,580)
- Foreign currency forwards	58,111	245	(49)
- Foreign currency spots	32,645	17	(5)
Equity related contracts:			
- Call options	12,929	18,422	-
	4,839,690	45,160	(28,779)

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	-
	4,987,098	40,941	(32,773)

18. Other liabilities

	The Group		The Bank	
	31.03.2014	30.06.2013	31.03.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Remisiers' trust deposits	13,551	15,482	13,551	15,482
ESOS liabilities	11,950	8,428	11,950	8,428
Other payables and accrued liabilities	78,755	68,059	78,785	68,039
Provision for post employment benefits	299	296	299	296
	104,555	92,265	104,585	92,245

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EXPLANATORY NOTES

19. Interest income

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,294	3,671	12,168	8,986
Money at call and deposit placements with financial institutions	6,992	2,955	19,868	5,378
Financial assets at fair value through profit or loss	3,999	7,633	14,866	14,235
Financial investments available-for-sale	5,379	1,578	12,975	2,362
Financial investments held-to-maturity	3,598	2,310	10,764	6,762
Derivative financial instruments	673	828	2,133	1,634
Others	263	310	819	622
Total interest income	25,198	19,285	73,593	39,979

	The Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,294	3,671	12,168	8,986
Money at call and deposit placements with financial institutions	6,992	2,955	19,860	5,378
Financial assets at fair value through profit or loss	3,999	7,633	14,866	14,235
Financial investments available-for-sale	5,379	1,578	12,975	2,362
Financial investments held-to-maturity	3,598	2,310	10,764	6,762
Derivative financial instruments	673	828	2,133	1,634
Others	263	310	819	611
Total interest income	25,198	19,285	73,585	39,968

20. Interest expense

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	4,233	2,039	12,690	4,471
Deposits from customers	11,973	7,986	34,091	15,503
Derivative financial instruments	1,751	1,060	4,970	2,119
Others	78	(123)	301	(140)
	18,035	10,962	52,052	21,953

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EXPLANATORY NOTES

21. Non-interest income

	Individual Quarter		The Group Cumulative Months Ended	
	Current quarter ended 31.03.2014 RM'000	Last year's quarter ended 31.03.2013 RM'000	Current year ended 31.03.2014 RM'000	Last year's ended 31.03.2013 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	671	1,604	5,248	3,045
Arranger fees	975	5,395	11,559	8,963
Underwriting commissions	-	356	614	486
Brokerage commissions	14,969	8,714	42,688	18,678
Fees on loans and advances	718	593	1,825	1,281
Other fee income	3,000	2,442	16,403	24,149
	20,333	19,104	78,337	56,602
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale/redemption of:				
- financial assets at fair value through profit or loss	(881)	1,126	(4,496)	3,197
- financial investments available-for-sale	555	15,724	3,323	15,724
- financial investments held-to-maturity	12	-	12	-
- derivative financial instruments	1,578	(5,486)	4,051	(4,859)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	301	2,976	6,954	4,294
- derivative financial instruments	8,957	448	23,874	(694)
Dividend income from:				
- financial assets at fair value through profit or loss	335	410	640	509
- financial investments available-for-sale	-	91	-	112
	10,857	15,289	34,358	18,283
<u>Other income:</u>				
Loss on disposal of property and equipment	-	(1)	-	(13)
Foreign exchange (loss)/gain	(4,096)	4,131	(9,212)	5,105
Other non-operating income	414	74	643	169
	(3,682)	4,204	(8,569)	5,261
	27,508	38,597	104,126	80,146

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EXPLANATORY NOTES

21. Non-interest income (continued)

	Individual Quarter		The Bank Cumulative Months Ended	
	Current quarter ended 31.03.2014 RM'000	Last year's quarter ended 31.03.2013 RM'000	Current year ended 31.03.2014 RM'000	Last year's ended 31.03.2013 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	671	1,604	5,248	3,045
Arranger fees	975	5,395	11,559	8,963
Underwriting commissions	-	356	614	486
Brokerage commissions	14,969	8,714	42,688	18,678
Fees on loans and advances	718	593	1,825	1,281
Other fee income	2,967	2,340	16,249	23,985
	20,300	19,002	78,183	56,438
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale/redemption of:				
- financial assets at fair value through profit or loss	(881)	1,126	(4,496)	3,197
- financial investments available-for-sale	555	15,724	3,323	15,724
- financial investments held-to-maturity	12	-	12	-
- derivative financial instruments	1,578	(5,486)	4,051	(4,859)
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	301	2,976	6,954	4,294
- derivative financial instruments	8,957	448	23,874	(694)
Dividend income from:				
- financial assets at fair value through profit or loss	335	410	640	509
- financial investments available-for-sale	-	91	-	112
	10,857	15,289	34,358	18,283
<u>Other income:</u>				
Loss on disposal of property and equipment	-	(1)	-	(13)
Foreign exchange (loss)/gain	(4,096)	4,131	(9,212)	5,105
Other non-operating income	410	75	639	138
	(3,686)	4,205	(8,573)	5,230
	27,471	38,496	103,968	79,951

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EXPLANATORY NOTES

22. Other operating expenses

	The Group			
	Individual Quarter		Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	18,469	21,713	59,527	42,384
Promotion and marketing related expenses	516	417	1,858	719
Establishment related expenses	3,990	3,361	12,020	8,409
General administrative expenses	3,211	3,778	10,682	8,194
	26,186	29,269	84,087	59,706
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	2,615	16,162	26,460	34,815
Defined contribution plan	1,358	1,271	3,906	2,704
Option charge arising from ESOS	14,744	4,209	28,277	4,287
Other employee benefits	(248)	71	884	578
	18,469	21,713	59,527	42,384
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	3	55	254	55
Entertainment and business improvement	472	318	1,384	590
Others	41	44	220	74
	516	417	1,858	719
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	468	462	1,448	1,231
Amortisation of intangible assets	120	140	366	295
Rental of premises	1,442	1,303	4,248	3,050
Others	1,960	1,456	5,958	3,833
	3,990	3,361	12,020	8,409
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	79	47	244	50
Legal and professional fees	755	1,038	2,650	2,239
Others	2,377	2,693	7,788	5,905
	3,211	3,778	10,682	8,194

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EXPLANATORY NOTES

22. Other operating expenses (continued)

	Individual Quarter		The Bank Cumulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	18,439	21,681	59,439	42,327
Promotion and marketing related expenses	516	417	1,858	719
Establishment related expenses	3,982	3,340	11,989	8,372
General administrative expenses	3,201	3,767	10,643	8,161
	26,138	29,205	83,929	59,579
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	2,590	16,135	26,386	34,769
Defined contribution plan	1,353	1,266	3,893	2,695
Option charge arising from ESOS	14,744	4,209	28,277	4,287
Other employee benefits	(248)	71	883	576
	18,439	21,681	59,439	42,327
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	3	55	254	55
Entertainment and business improvement	472	318	1,384	590
Others	41	44	220	74
	516	417	1,858	719
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	468	462	1,448	1,231
Amortisation of intangible assets	120	140	366	295
Rental of premises	1,434	1,293	4,224	3,037
Others	1,960	1,445	5,951	3,809
	3,982	3,340	11,989	8,372
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	76	45	236	44
Legal and professional fees	755	1,038	2,650	2,231
Others	2,370	2,684	7,757	5,886
	3,201	3,767	10,643	8,161

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EXPLANATORY NOTES

23. Allowance for impairment losses on loans and advances and other losses

	The Group and the Bank			
	Individual Quarter		Cumulative Months Ended	
	Current quarter ended 31.03.2014 RM'000	Last year's quarter ended 31.03.2013 RM'000	Current year ended 31.03.2014 RM'000	Last year's ended 31.03.2013 RM'000
(Allowance for)/write-back of losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial period	1	-	(2)	-
- written back during the financial period	9	-	59	-
(b) Collective assessment allowance				
- written back/(made) during the financial period	45	105	(339)	251
Bad debts on loans & advances				
- written-off	-	-	-	(2)
Allowance for losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	48	(21)	(99)	(212)
- written back during the financial period	(4)	78	131	125
(b) Collective assessment (made)/written back during the financial period	(10)	21	4	139
Bad debts on clients' and brokers' balances				
- recovered	-	205	26	205
Allowance for losses on other debtors:				
(a) Individual assessment allowance				
- made during the financial period	-	(453)	-	(453)
- written-back during the financial period	40	-	153	-
	129	(65)	(67)	53

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EXPLANATORY NOTES

24. Commitments and contingencies

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

	The Group and the Bank	
	31.03.2014	30.06.2013
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	73,750	50,750
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	2,000	-
- maturity over one year	23	69
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	614,264	507,022
Others	641,730	636,606
	1,331,767	1,194,447
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	837,056	716,412
- Over one year to five years	2,373,505	2,161,706
Foreign exchange related contracts:		
- One year or less	1,616,200	2,096,122
Equity related contracts:		
- One year or less	1,429	1,429
- Over one year to five years	11,500	11,429
	4,839,690	4,987,098
	6,171,457	6,181,545

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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). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The Group and the Bank	Level 1	Level 2	Level 3	Total
31.03.2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading	8,670	602,399	-	611,069
Financial investments available-for-sale	-	663,339	686	664,025
Derivative financial assets	-	45,160	-	45,160
	8,670	1,310,898	686	1,320,254
Financial liability				
Derivative financial liabilities	-	28,779	-	28,779
30.06.2013				
Financial assets				
Financial assets held-for-trading	15,345	647,628	-	662,973
Financial investments available-for-sale	-	263,952	686	264,638
Derivative financial assets	-	40,941	-	40,941
	15,345	952,521	686	968,552

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EXPLANATORY NOTES

25. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group and the Bank	Level 1	Level 2	Level 3	Total
30.06.2013	RM'000	RM'000	RM'000	RM'000
Financial liability				
Derivative financial liabilities	-	32,773	-	32,773

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

The Group and the Bank	Financial investments available-for-sale	
	31.03.2014	30.06.2013
	RM'000	RM'000
As at 1 July	686	-
Vested from Promilia Berhad	-	2,445
Impaired during the period/year	-	(1,759)
As at 31 March/30 June	686	686

26. Capital adequacy

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

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

	The Group		The Bank	
	31.03.2014	30.06.2013	31.03.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	23.351%	33.200%	23.315%	33.194%
Tier 1 capital ratio	23.351%	33.200%	23.315%	33.194%
Total capital ratio	23.578%	33.455%	23.479%	33.288%
After deducting proposed dividends:				
CET1 capital ratio	23.351%	30.108%	23.315%	30.099%
Tier 1 capital ratio	23.351%	30.108%	23.315%	30.099%
Total capital ratio	23.578%	30.363%	23.479%	30.193%

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EXPLANATORY NOTES

26. Capital adequacy (continued)

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

	The Group		The Bank	
	31.03.2014	30.06.2013	31.03.2014	30.06.2013
	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	110,082	139,176	109,716	138,810
	363,032	392,126	362,666	391,760
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	-	(525)	(186)	(525)
Total CET1 Capital	272,068	300,637	271,516	300,271
Tier 1 Capital	272,068	300,637	271,516	300,271
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⁾	1,020	678	1,020	678
Regulatory adjustments:				
- Investment in subsidiaries	-	-	(743)	(1,455)
Total Tier 2 Capital	2,651	2,309	1,908	854
Total Capital	274,719	302,946	273,424	301,125

Note:

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

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

	The Group		The Bank	
	31.03.2014	30.06.2013	31.03.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	632,189	465,326	631,939	464,961
Market risk	357,024	321,448	357,024	321,448
Operational risk	175,931	118,761	175,591	118,189
	1,165,144	905,535	1,164,554	904,598

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EXPLANATORY NOTES

27. Significant events during the financial quarter ended 31 March 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 March 2014 against the corresponding financial quarter

For the current financial quarter ended 31 March 2014, the Group recorded a profit before tax of RM8.6 million, as compared to a RM17.6 million recorded in the corresponding financial quarter. The decrease in profit of RM9.0 million was primarily attributable to the lower income earned from its Investment Banking Division. However, the impact of lower income was partially offset by lower overheads incurred in this quarter.

31. 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.