

HONG LEONG INVESTMENT BANK BERHAD
(Company No: 10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	The Group		The Bank	
		As at	As at	As at	As at
		31.12.2013	30.06.2013	31.12.2013	30.06.2013
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		388,425	556,269	387,353	554,702
Reverse repurchase agreements		380,841	274,388	380,841	274,388
Deposits and placements with banks and other financial institutions		265,053	325,201	264,771	324,930
Financial assets at fair value through profit or loss	8	510,715	662,973	510,715	662,973
Financial investments available-for-sale	9	563,912	264,638	563,912	264,638
Financial investments held-to-maturity	10	670,984	253,911	670,984	253,911
Derivative financial assets	17	60,532	40,941	60,532	40,941
Loans and advances	11	293,984	174,184	293,984	174,184
Clients' and brokers' balances	12	184,633	147,539	184,633	147,539
Other assets	13	21,500	13,070	21,484	13,067
Statutory deposits with Bank Negara Malaysia		37,740	24,500	37,740	24,500
Investment in subsidiaries		-	-	949	1,455
Deferred tax assets		75,077	61,978	75,077	61,978
Property and equipment		6,291	6,667	6,291	6,667
Intangible assets - computer software		848	1,054	848	1,054
Goodwill		28,986	28,986	28,986	28,986
TOTAL ASSETS		3,489,521	2,836,299	3,489,100	2,835,913
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	15	275,436	470,169	275,436	470,169
Deposits and placements of banks and other financial institutions	16	2,319,868	1,542,975	2,319,868	1,542,975
Repurchased agreements		184,389	177,033	184,389	177,033
Derivative financial liabilities	17	37,637	32,773	37,637	32,773
Clients' and brokers' balances		163,560	127,327	163,560	127,327
Other liabilities	18	100,429	92,265	100,384	92,245
TOTAL LIABILITIES		3,081,319	2,442,542	3,081,274	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		241,571	227,126	241,195	226,760
TOTAL EQUITY		408,202	393,757	407,826	393,391
TOTAL EQUITY AND LIABILITIES		3,489,521	2,836,299	3,489,100	2,835,913
COMMITMENTS AND CONTINGENCIES					
	24	7,123,508	6,181,545	7,123,508	6,181,545
Net assets per ordinary share (RM)		2.47	2.39	2.47	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 DECEMBER 2013

	Note	The Group			
		Individual Quarter		Cummulative Months Ended	
		Current	Last year's	Current	Last
		quarter ended	quarter ended	year ended	year's ended
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
Interest income	19	25,920	18,982	48,395	20,694
Interest expense	20	(19,016)	(10,991)	(34,017)	(10,991)
Net interest income		6,904	7,991	14,378	9,703
Non-interest income	21	46,207	40,232	76,618	41,549
Net income		53,111	48,223	90,996	51,252
Other operating expenses	22	(35,891)	(27,641)	(57,901)	(30,437)
Net operating profit		17,220	20,582	33,095	20,815
Allowance for impairment losses on loans and advances and other losses	23	51	129	(196)	118
Profit before taxation		17,271	20,711	32,899	20,933
Taxation		5,898	(5,158)	12,204	(5,160)
Net profit for the financial period		23,169	15,553	45,103	15,773
Earnings per share (sen)					
- Basic		14.0	9.4	27.3	6.5
- Diluted		14.0	9.4	27.3	6.5

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 DECEMBER 2013

	The Group			
	Individual Quarter		Cummulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	23,169	15,553	45,103	15,773
Other comprehensive income/(expense):				
Net fair value changes on financial investments available-for-sale	(2,903)	3,466	(3,544)	3,466
Income tax relating to net fair value changes on financial investments available-for-sale	726	(866)	886	(866)
Other comprehensive (expense)/income for the financial period, net of tax	(2,177)	2,600	(2,658)	2,600
Total comprehensive income for the financial period, net of tax	20,992	18,153	42,445	18,373

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 DECEMBER 2013

		The Bank			
		Individual Quarter		Cummulative Months Ended	
		Current	Last year's	Current	Last
Note		quarter ended	quarter ended	year ended	year's ended
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
	19	25,920	18,982	48,387	20,683
	20	(19,016)	(10,991)	(34,017)	(10,991)
		6,904	7,991	14,370	9,692
	21	46,164	40,169	76,497	41,455
		53,068	48,160	90,867	51,147
	22	(35,838)	(27,587)	(57,791)	(30,374)
		17,230	20,573	33,076	20,773
	23	51	129	(196)	118
		17,281	20,702	32,880	20,891
		5,898	(5,154)	12,213	(5,156)
		23,179	15,548	45,093	15,735
Earnings per share (sen)					
		14.0	9.4	27.3	6.5
		14.0	9.4	27.3	6.5

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 DECEMBER 2013

	The Bank			
	Individual Quarter		Cummulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	23,179	15,548	45,093	15,735
Other comprehensive income/(expense):				
Net fair value changes on financial investments available-for-sale	(2,903)	3,466	(3,544)	3,466
Income tax relating to net fair value changes on financial investments available-for-sale	726	(866)	886	(866)
Other comprehensive (expense)/income for the financial period, net of tax	(2,177)	2,600	(2,658)	2,600
Total comprehensive income for the financial period, net of tax	21,002	18,148	42,435	18,335

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 DECEMBER 2013

	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		-	-	-	-	-	45,103	45,103
Other comprehensive expense		-	-	-	-	(2,658)	-	(2,658)
Total comprehensive 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
At 1 July 2012		75,000	-	87,950	83,385	-	(70,801)	175,534
Net profit for the financial period		-	-	-	-	-	15,773	15,773
Other comprehensive income		-	-	-	-	2,600	-	2,600
Total comprehensive income for the financial period		-	-	-	-	2,600	15,773	18,373
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
At 31 December 2012		165,000	1,631	87,950	130,737	13,647	(71,498)	327,467

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 DECEMBER 2013

	Non-distributable				Distributable		Total
	Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	(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	-	-	-	-	-	45,093	45,093
Other comprehensive expense	-	-	-	-	(2,658)	-	(2,658)
Total comprehensive 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
At 1 July 2012	75,000	-	87,950	83,385	-	(71,016)	175,319
Net profit for the financial period	-	-	-	-	-	15,735	15,735
Other comprehensive income	-	-	-	-	2,600	-	2,600
Total comprehensive income for the financial period	-	-	-	-	2,600	15,735	18,335
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
At 31 December 2012	165,000	1,631	87,950	130,737	13,647	(71,751)	327,214

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 DECEMBER 2013

	The Group		The Bank	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	32,899	20,933	32,880	20,891
Adjustments for non-cash items	(30,764)	(11,065)	(30,764)	(11,065)
Operating profit before changes in working capital	2,135	9,868	2,116	9,826
Changes in working capital:				
Net changes in operating assets	(782,283)	126,293	(782,308)	127,440
Net changes in operating liabilities	620,355	93,405	620,380	93,287
Income tax paid	(8)	(9)	-	-
Net cash (used in)/generated from operating activities	(159,801)	229,557	(159,812)	230,553
Cash flows generated from investing activities	19,957	16,337	20,463	9,608
Net cash used in financing activities	(28,000)	-	(28,000)	-
Net changes in cash and cash equivalents	(167,844)	245,894	(167,349)	240,161
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	388,425	316,006	387,353	309,854
Cash and cash equivalents comprise:				
Cash and short term funds	388,425	316,006	387,353	309,854

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
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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 December 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 31 December 2013.

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 2013.

HONG LEONG INVESTMENT BANK BERHAD
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EXPLANATORY NOTES

7. Dividends paid during the current financial quarter

During the financial quarter, a single-tier final dividend of 17.17 sen per share on the Bank's issued and paid-up Redeemable Preference Shares comprising 163,076,524 Redeemable Preference Shares amounting to RM28,000,239 in respect of the financial year ended 30 June 2013 was paid on 8 November 2013.

8. Financial assets at fair value through profit or loss

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Securities	60,121	20,107
Negotiable instruments of deposits	181,645	150,372
Bankers' acceptances	52,731	219,476
Quoted securities		
In Malaysia:		
Shares	8,972	9,570
Unquoted securities		
Foreign currency bonds	43,759	63,074
Private and Islamic debt securities	153,727	194,599
	500,955	657,198
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	9,760	5,775
	510,715	662,973

9. Financial investments available-for-sale

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	40,807	20,205
Malaysian Government Investment Issues	58,877	59,669
Cagamas bonds	15,142	5,122
Unquoted securities		
Shares	686	686
Foreign currency bonds	169,295	86,476
Private and Islamic debt securities	279,105	92,480
	563,912	264,638

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

EXPLANATORY NOTES

10. Financial investments held-to-maturity

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	51,431	-
Malaysian Government Investment Issues	25,551	5,107
Cagamas bonds	10,119	10,161
Negotiable instruments of deposits	200,994	-
Bankers' acceptances	143,053	-
Unquoted securities		
Foreign currency bonds	199,280	192,912
Private and Islamic debt securities	40,556	45,731
	670,984	253,911

11. Loans and advances

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
Term loan financing	97,677	33,533
Share margin financing	195,025	139,049
Revolving credits	-	60
Staff loans	101	458
Other loans	2,508	2,074
Gross loans and advances	295,311	175,174
Less: Allowance for losses on loans and advances		
- individual assessment allowance	(205)	(252)
- collective assessment allowance	(1,122)	(738)
Total net loans and advances	293,984	174,184

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

Domestic business enterprises		
- Small and medium enterprises	43,789	26,600
- Others	120,394	52,708
Individuals	129,052	95,563
Foreign entities	2,076	303
	295,311	175,174

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

EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:		
Variable rate	243,260	123,482
Fixed rate		
- Staff housing loans	97	388
- Other fixed rate loans	51,954	51,237
Non-interest bearing	-	67
	295,311	175,174
(iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	228,437	172,658
One year to three years	11,442	149
Three years to five years	52,937	119
Over five years	2,495	2,248
	295,311	175,174
(iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	97,677	33,592
Purchase of securities	194,917	139,049
Purchase of transport vehicles	164	235
Purchase of landed properties	2,553	2,298
Gross loans and advances	295,311	175,174
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	295,311	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	(271)	(196)
Balance at end of the period/year	857	1,123

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EXPLANATORY NOTES

11. Loans and advances (continued)

	The Group and the Bank	
	31.12.2013	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	3	-
Allowance written back during the financial period/year	(50)	-
Balance at end of the period/year	<u>205</u>	<u>252</u>
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	384	(167)
Balance at end of the period/year	<u>1,122</u>	<u>738</u>
(viii) Impaired loans and advances analysed by their economic purposed are as follows:		
Purchase of transport vehicles	113	156
Purchase of landed properties	744	967
Balance at end of the period/year	<u>857</u>	<u>1,123</u>

12. Clients' and brokers' balances

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
Performing accounts	184,270	147,145
Impaired accounts	772	805
	<u>185,042</u>	<u>147,950</u>
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(390)	(378)
- collective assessment allowance	(19)	(33)
	<u>184,633</u>	<u>147,539</u>

13. Other assets

	The Group		The Bank	
	31.12.2013	30.06.2013	31.12.2013	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	17	5	-	-
Amount due from holding company	413	793	413	793
Amount due from subsidiary companies	-	-	201	3
Amount due from related companies	-	352	-	352
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts	<u>21,070</u>	<u>11,920</u>	<u>20,870</u>	<u>11,919</u>
	<u>21,500</u>	<u>13,070</u>	<u>21,484</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

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
Fixed Deposit	275,436	470,169
(i) By Type of deposit		
Fixed Deposit	275,436	470,169
(ii) By Type of customer		
Government & statutory bodies	243,704	429,322
Business enterprises	31,732	40,847
	275,436	470,169
(iii) The maturity structure of fixed deposits is as follows:		
Due within six months	275,436	470,169

16. Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2013	30.06.2013
	RM'000	RM'000
Bank Negara Malaysia	-	316,207
Licensed banks	666,523	128,060
Licensed investment banks	324,992	105,866
Other financial institutions	1,328,353	992,842
	2,319,868	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
31.12.2013			
Interest rate related contracts:			
- Interest rate swaps	2,311,000	10,804	(21,255)
- Futures	1,156,063	3,617	(366)
- Cross currency swaps	135,616	238	(72)
Foreign exchange related contracts:			
- Foreign currency swaps	2,088,522	18,417	(15,701)
- Foreign currency forwards	72,483	93	(231)
- Foreign currency spots	39,309	126	(12)
Equity related contracts:			
- Call options	14,358	27,237	-
	5,817,351	60,532	(37,637)
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	
	31.12.2013	30.06.2013	31.12.2013	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Remisiers' trust deposits	13,554	15,482	13,554	15,482
ESOS liabilities	21,961	8,428	21,961	8,428
Other payables and accrued liabilities	64,616	68,059	64,571	68,039
Provision for post employment benefits	298	296	298	296
	100,429	92,265	100,384	92,245

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EXPLANATORY NOTES

19. Interest income

	The Group			
	Individual Quarter		Cummulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,649	4,133	7,874	5,315
Money at call and deposit placements with financial institutions	5,895	1,941	12,876	2,423
Financial assets at fair value through profit or loss	5,517	6,602	10,867	6,602
Financial investments available-for-sale	4,376	784	7,596	784
Financial investments held-to-maturity	4,472	4,452	7,166	4,452
Derivative financial instruments	740	806	1,460	806
Others	271	264	556	312
Total interest income	25,920	18,982	48,395	20,694

	The Bank			
	Individual Quarter		Cummulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,649	4,133	7,874	5,315
Money at call and deposit placements with financial institutions	5,895	1,941	12,868	2,423
Financial assets at fair value through profit or loss	5,517	6,602	10,867	6,602
Financial investments available-for-sale	4,376	784	7,596	784
Financial investments held-to-maturity	4,472	4,452	7,166	4,452
Derivative financial instruments	740	806	1,460	806
Others	271	264	556	301
Total interest income	25,920	18,982	48,387	20,683

20. Interest expense

	The Group and the Bank			
	Individual Quarter		Cummulative Months Ended	
	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year's ended
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,367	2,432	8,457	2,432
Deposits from customers	11,702	7,517	22,118	7,517
Derivative financial instruments	1,848	1,059	3,219	1,059
Others	99	(17)	223	(17)
	19,016	10,991	34,017	10,991

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EXPLANATORY NOTES

21. Non-interest income

	The Group			
	Individual Quarter		Cummulative Months Ended	
	Current quarter ended 31.12.2013 RM'000	Last year's quarter ended 31.12.2012 RM'000	Current year ended 31.12.2013 RM'000	Last year's ended 31.12.2012 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	2,797	1,361	4,577	1,441
Arranger fees	3,425	3,568	10,584	3,568
Underwriting commissions	-	130	614	130
Brokerage commissions	13,903	8,979	27,719	9,964
Fees on loans and advances	549	590	1,107	688
Other fee income	6,303	21,532	13,403	21,707
	26,977	36,160	58,004	37,498
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	(84)	2,071	(3,615)	2,071
- financial investments available-for-sale	1,178	-	2,768	-
- derivative financial instruments	(1,479)	627	2,473	627
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	2,108	1,318	6,653	1,318
- derivative financial instruments	16,729	(1,142)	14,917	(1,142)
Dividend income from:				
- financial assets at fair value through profit or loss	-	99	305	99
- financial investments available-for-sale	-	21	-	21
	18,452	2,994	23,501	2,994
<u>Other income:</u>				
Loss on disposal of property and equipment	-	(12)	-	(12)
Foreign exchange gain/(loss)	658	974	(5,116)	974
Other non-operating income	120	116	229	95
	778	1,078	(4,887)	1,057
	46,207	40,232	76,618	41,549

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EXPLANATORY NOTES

21. Non-interest income (continued)

	The Bank			
	Individual Quarter		Cummulative Months Ended	
	Current quarter ended 31.12.2013 RM'000	Last year's quarter ended 31.12.2012 RM'000	Current year ended 31.12.2013 RM'000	Last year's ended 31.12.2012 RM'000
<u>Fee and commission income:</u>				
Corporate advisory fees	2,797	1,361	4,577	1,441
Arranger fees	3,425	3,568	10,584	3,568
Underwriting commissions	-	130	614	130
Brokerage commissions	13,903	8,979	27,719	9,964
Fees on loans and advances	549	590	1,107	688
Other fee income	6,260	21,470	13,282	21,645
	26,934	36,098	57,883	37,436
<u>Net income from securities</u>				
Net realised gain/(loss) arising from sale of:				
- financial assets at fair value through profit or loss	(84)	2,071	(3,615)	2,071
- financial investments available-for-sale	1,178	-	2,768	-
- derivative financial instruments	(1,479)	627	2,473	627
Net unrealised gain/(loss) on revaluation of:				
- financial assets at fair value through profit or loss	2,108	1,318	6,653	1,318
- derivative financial instruments	16,729	(1,142)	14,917	(1,142)
Dividend income from:				
- financial assets at fair value through profit or loss	-	99	305	99
- financial investments available-for-sale	-	21	-	21
	18,452	2,994	23,501	2,994
<u>Other income:</u>				
Loss on disposal of property and equipment	-	(12)	-	(12)
Foreign exchange gain/(loss)	658	974	(5,116)	974
Other non-operating income	120	115	229	63
	778	1,077	(4,887)	1,025
	46,164	40,169	76,497	41,455

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EXPLANATORY NOTES

22. Other operating expenses

	The Group			
	Individual Quarter		Cummulative Months Ended	
	Current quarter ended 31.12.2013 RM'000	Last year's quarter ended 31.12.2012 RM'000	Current year ended 31.12.2013 RM'000	Last year's ended 31.12.2012 RM'000
Personnel expenses	27,468	19,214	41,058	20,671
Promotion and marketing related expenses	579	289	1,342	302
Establishment related expenses	4,115	4,240	8,030	5,048
General administrative expenses	3,729	3,898	7,471	4,416
	35,891	27,641	57,901	30,437
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	15,717	17,495	23,845	18,653
Defined contribution plan	1,303	1,231	2,548	1,433
Option charge arising from ESOS	9,793	-	13,533	-
Other employee benefits	655	488	1,132	585
	27,468	19,214	41,058	20,671
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	70	-	251	-
Entertainment and business improvement	456	272	912	272
Others	53	17	179	30
	579	289	1,342	302
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	495	648	980	769
Amortisation of intangible assets	120	151	246	155
Rental of premises	1,454	1,377	2,806	1,747
Others	2,046	2,064	3,998	2,377
	4,115	4,240	8,030	5,048
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	82	9	165	3
Legal and professional fees	824	1,119	1,895	1,201
Others	2,823	2,770	5,411	3,212
	3,729	3,898	7,471	4,416

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22. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cummulative Months Ended	
	Current quarter ended 31.12.2013 RM'000	Last year's quarter ended 31.12.2012 RM'000	Current year ended 31.12.2013 RM'000	Last year's ended 31.12.2012 RM'000
Personnel expenses	27,439	19,189	41,000	20,646
Promotion and marketing related expenses	579	289	1,342	302
Establishment related expenses	4,105	4,224	8,007	5,032
General administrative expenses	3,715	3,885	7,442	4,394
	35,838	27,587	57,791	30,374
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	15,692	17,476	23,796	18,634
Defined contribution plan	1,299	1,227	2,540	1,429
Option charge arising from ESOS	9,793	-	13,533	-
Other employee benefits	655	486	1,131	583
	27,439	19,189	41,000	20,646
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	70	-	251	-
Entertainment and business improvement	456	272	912	272
Others	53	17	179	30
	579	289	1,342	302
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	495	648	980	769
Amortisation of intangible assets	120	151	246	155
Rental of premises	1,446	1,374	2,790	1,744
Others	2,044	2,051	3,991	2,364
	4,105	4,224	8,007	5,032
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	79	7	160	(1)
Legal and professional fees	824	1,119	1,895	1,193
Others	2,812	2,759	5,387	3,202
	3,715	3,885	7,442	4,394

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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		Cummulative Months Ended	
	Current quarter ended 31.12.2013 RM'000	Last year's quarter ended 31.12.2012 RM'000	Current year ended 31.12.2013 RM'000	Last year's ended 31.12.2012 RM'000
(Allowance for)/write-back of losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial period	(3)	-	(3)	-
- written back during the financial period	50	-	50	-
(b) Collective assessment allowance				
- written back/(made) during the financial period	7	138	(384)	146
Bad debts on loans & advances				
- written-off	-	(2)	-	(2)
Allowance for losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial period	(95)	(179)	(147)	(191)
- written back during the financial period	26	37	135	47
(b) Collective assessment (made)/written back during the financial period	(1)	135	14	118
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	48	-	113	-
	51	129	(196)	118

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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	
	31.12.2013	30.06.2013
	Principal Amount RM'000	Principal Amount RM'000
Commitments and Contingent Liabilities		
Direct Credit Substitutes	71,779	50,750
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	2,000	-
- 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	562,903	507,022
Others	669,406	636,606
	1,306,157	1,194,447
Derivative Financial Instruments		
Interest rate related contracts:		
- One year or less	1,218,820	716,412
- Over one year to five years	2,383,859	2,161,706
Foreign exchange related contracts:		
- One year or less	2,200,314	2,096,122
Equity related contracts:		
- One year or less	1,429	1,429
- Over one year to five years	12,929	11,429
	5,817,351	4,987,098
	7,123,508	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
31.12.2013	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading	18,732	491,983	-	510,715
Financial investments available-for-sale	-	563,226	686	563,912
Derivative financial assets	-	60,532	-	60,532
	18,732	1,115,741	686	1,135,159
Financial liability				
Derivative financial liabilities	-	37,637	-	37,637
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	
	31.12.2013	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 December/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	
	31.12.2013	30.06.2013	31.12.2013	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	20.595%	33.200%	20.578%	33.194%
Tier 1 capital ratio	20.595%	33.200%	20.578%	33.194%
Total capital ratio	20.800%	33.455%	20.711%	33.288%

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26. Capital adequacy (continued)

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

	The Group		The Bank	
	31.12.2013	30.06.2013	31.12.2013	30.06.2013
	RM'000	RM'000	RM'000	RM'000
After deducting proposed dividends:				
CET1 capital ratio	20.595%	30.108%	20.578%	30.099%
Tier 1 capital ratio	20.595%	30.108%	20.578%	30.099%
Total capital ratio	20.800%	30.363%	20.711%	30.193%

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

	The Group		The Bank	
	31.12.2013	30.06.2013	31.12.2013	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	108,518	139,176	108,152	138,810
	361,468	392,126	361,102	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)	-	(525)
Total CET1 Capital	270,504	300,637	270,138	300,271
Tier 1 Capital	270,504	300,637	270,138	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⁾	1,065	678	1,065	678
Regulatory adjustments:				
- Investment in subsidiaries	-	-	(949)	(1,455)
Total Tier 2 Capital	2,696	2,309	1,747	854
Total Capital	273,200	302,946	271,885	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	
	31.12.2013	30.06.2013	31.12.2013	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	777,107	465,326	776,833	464,961
Market risk	375,555	321,448	375,555	321,448
Operational risk	160,791	118,761	160,346	118,189
	1,313,453	905,535	1,312,734	904,598

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27. Significant events during the financial quarter ended 31 December 2013

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 2013 against the corresponding financial quarter

For the current financial quarter ended 31 December 2013, the Group recorded a profit before tax of RM17.3 million, as compared to a RM20.7 million recorded in the corresponding financial quarter. The decrease in profit of RM3.4 million was primarily attributable to the higher overheads incurred in this quarter. However, the impact of higher overheads was partially offset by higher non-interest income.

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.