

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

	Note	The Group			The Bank		
		30 Sept 2012 RM'000	Restated As at 30 June 2012 RM'000	Restated As at 1 Jan 2011 RM'000	30 Sept 2012 RM'000	Restated As at 30 June 2012 RM'000	Restated As at 1 Jan 2011 RM'000
ASSETS							
Cash and short-term funds		789,036	106,169	108,248	780,550	105,750	107,964
Deposits and placements with banks and other financial institutions		132,574	271	162	132,303	-	-
Financial assets held-for-trading	8	1,095,968	-	-	1,095,968	-	-
Financial investments available-for-sale	9	85,752	-	50,960	85,752	-	50,960
Financial investments held-to-maturity	10	479,340	-	-	479,340	-	-
Derivative financial assets	18	41,174	-	-	41,174	-	-
Loans and advances	11	271,700	69,570	86,004	271,700	69,570	86,004
Clients' and brokers' balances	12	198,382	20,089	34,114	198,382	20,089	34,114
Other assets	13	49,384	12,885	7,354	55,308	12,941	7,328
Statutory deposits with Bank Negara Malaysia		18,514	-	59	18,514	-	59
Investment in subsidiaries		-	-	-	1,218	220	220
Deferred tax assets		34,311	35,271	35,319	34,311	35,271	35,319
Property and equipment		7,275	981	2,638	7,275	981	2,638
Intangible assets - computer software		1,003	23	309	1,003	23	309
Goodwill		-	-	86,610	-	-	66,663
TOTAL ASSETS		3,204,413	245,259	411,777	3,202,797	244,845	391,578
LIABILITIES AND SHAREHOLDER'S FUNDS							
Deposits from customers	15	788,730	-	-	788,730	-	-
Deposits and placements of banks and other financial institutions	16	963,054	-	40,006	963,054	-	40,006
Repurchased agreements		111,260	-	-	111,260	-	-
Derivative financial liabilities	18	45,642	-	-	45,642	-	-
Clients' and brokers' balances	17	681,068	46,214	52,185	681,068	46,214	52,185
Provision for tax		811	870	52	810	868	52
Other liabilities	19	344,131	22,641	41,755	342,764	22,444	41,713
TOTAL LIABILITIES		2,934,696	69,725	133,998	2,933,328	69,526	133,956
EQUITY							
Share capital		165,000	75,000	75,000	165,000	75,000	75,000
Redeemable preference shares		1,631	-	-	1,631	-	-
Reserves		103,086	100,534	202,779	102,838	100,319	182,622
TOTAL EQUITY		269,717	175,534	277,779	269,469	175,319	257,622
TOTAL EQUITY AND LIABILITIES		3,204,413	245,259	411,777	3,202,797	244,845	391,578

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 2012.

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CONDENSED FINANCIAL STATEMENTS
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AS AT 30 SEPTEMBER 2012

	Note	The Group			The Bank		
			Restated	Restated		Restated	Restated
		30 Sept 2012	As at 30 June 2012	As at 1 Jan 2011	30 Sept 2012	As at 30 June 2012	As at 1 Jan 2011
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COMMITMENTS AND CONTINGENCIES	25	556,563	138,110	324,644	556,563	138,110	324,644
<u>CAPITAL ADEQUACY</u>							
Before deducting proposed dividends							
Tier I capital ratio		23.4%	147.8%	73.4%	23.3%	147.6%	73.4%
Risk-weighted capital ratio		23.6%	149.0%	73.9%	23.4%	148.5%	73.9%
After deducting proposed dividends:							
Tier I capital ratio		23.4%	147.8%	73.4%	23.3%	147.6%	73.4%
Risk-weighted capital ratio		23.6%	149.0%	73.9%	23.4%	148.5%	73.9%
Net assets per ordinary share (RM)		1.63	2.34	3.70	1.63	2.34	3.43

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 SEPTEMBER 2012

	Note	The Group			
		Individual Quarter		Cumulative 3 Months Ended	
		Restated		Restated	
		Current quarter ended 30 Sept 2012 RM'000	Last year's quarter ended # 30 Sept 2011 RM'000	Current year ended 30 Sept 2012 RM'000	Last year's ended # 30 Sept 2011 RM'000
Interest income	20	1,712	5,269	1,712	5,269
Interest expense	21	-	(1,118)	-	(1,118)
Net interest income		1,712	4,151	1,712	4,151
Non-interest income	22	1,317	4,432	1,317	4,432
Net income		3,029	8,583	3,029	8,583
Other operating expenses	23	(2,796)	(6,205)	(2,796)	(6,205)
Net operating profit		233	2,378	233	2,378
(Allowance for)/write-back of impairment losses on loans and advances and other losses	24	(11)	326	(11)	326
Provision for commitments and contingencies		-	(8,954)	-	(8,954)
Allowances for impairment losses on securities		-	(486)	-	(486)
Profit/(loss) before taxation		222	(6,736)	222	(6,736)
Taxation		(2)	1,589	(2)	1,589
Net profit/(loss) for the financial quarter/period		220	(5,148)	220	(5,148)
Earnings/(loss) per share (sen)					
- Basic		0.28	(6.86)	0.28	(6.86)
- Diluted		0.28	(6.86)	0.28	(6.86)

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2011 to 30 September 2011.

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 SEPTEMBER 2012

	Individual Quarter		The Group	
	Current	Last year's	Cummulative 3 Months	Ended
	quarter ended	quarter ended #	Current	Last year's
	30 Sept 2012	30 Sept 2011	year ended	ended #
	RM'000	RM'000	30 Sept 2012	30 Sept 2011
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial quarter/period	220	(5,148)	220	(5,148)
Other comprehensive income/(loss):				
Net fair value changes on financial investments available-for-sale	-	420	-	420
Income tax relating to net fair value changes on financial investments available-for-sale	-	(105)	-	(105)
Other comprehensive income for the financial quarter/period, net of tax	-	315	-	315
Total comprehensive income/(loss) for the financial quarter/period, net of tax	220	(4,833)	220	(4,833)

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2011 to 30 September 2011.

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 SEPTEMBER 2012

	Note	Individual Quarter		The Bank Cumulative 3 Months Ended	
		Restated		Restated	
		Current quarter ended 30 Sept 2012 RM'000	Last year's quarter ended # 30 Sept 2011 RM'000	Current year ended 30 Sept 2012 RM'000	Last year's ended # 30 Sept 2011 RM'000
Interest income	20	1,701	5,268	1,701	5,268
Interest expense	21	-	(1,118)	-	(1,118)
Net interest income		1,701	4,150	1,701	4,150
Non-interest income	22	1,286	4,426	1,286	4,426
Net income		2,987	8,576	2,987	8,576
Other operating expenses	23	(2,787)	(6,203)	(2,787)	(6,203)
Net operating profit		200	2,373	200	2,373
(Allowance for)/write-back of impairment losses on loans and advances and other losses	24	(11)	326	(11)	326
Provision for commitments and contingencies		-	(8,954)	-	(8,954)
Allowances for impairment losses on securities		-	(486)	-	(486)
Profit/(loss) before taxation		189	(6,741)	189	(6,741)
Taxation		(2)	1,588	(2)	1,588
Net profit/(loss) for the financial quarter/period		187	(5,154)	187	(5,154)
Earnings/(loss) per share (sen)					
- Basic		0.24	(6.87)	0.24	(6.87)
- Diluted		0.24	(6.87)	0.24	(6.87)

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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 SEPTEMBER 2012

	The Bank			
	Individual Quarter		Cummulative 3 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended #	quarter ended #	year ended	ended #
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial quarter/period	187	(5,154)	187	(5,154)
Other comprehensive income/(loss):				
Net fair value changes on financial investments available-for-sale	-	420	-	420
Income tax relating to net fair value changes on financial investments available-for-sale	-	(105)	-	(105)
Other comprehensive income for the financial quarter/period, net of tax	-	315	-	315
Total comprehensive income/(loss) for the financial quarter/period, net of tax	187	(4,839)	187	(4,839)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

The Group	Note	Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Financial investments available- for-sale reserve RM'000	Retained profits/ (accumulated losses) RM'000	Total RM'000
At 1 July 2012								
- As previously reported		75,000	-	87,950	83,385	-	(71,396)	174,939
- Effects of adopting MFRS 1 and changes in accounting policies	34	-	-	-	-	-	595	595
At 1 July 2012, as restated		75,000	-	87,950	83,385	-	(70,801)	175,534
Net profit for the financial period		-	-	-	-	-	220	220
Total comprehensive profit for the financial period		-	-	-	-	-	220	220
Issuance of ordinary shares		90,000	-	-	-	-	-	90,000
Issuance of Redeemable Preference Shares		-	1,631	-	-	-	-	1,631
Effect of adopting MFRS for amount vested from Promilia		-	-	-	-	-	2,332	2,332
At 30 September 2012		165,000	1,631	87,950	83,385	-	(68,249)	269,717
At 1 July 2011								
- As previously reported		75,000	-	87,950	83,385	457	30,908	277,700
- Effects of adopting MFRS 1 and changes in accounting policies		-	-	-	-	-	879	879
At 1 July 2011, as restated		75,000	-	87,950	83,385	457	31,787	278,579
Net loss for the financial period		-	-	-	-	-	(5,148)	(5,148)
Other comprehensive income		-	-	-	-	315	-	315
Total comprehensive loss for the financial period		-	-	-	-	315	(5,148)	(4,833)
At 30 September 2011		75,000	-	87,950	83,385	772	26,640	273,747

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	Note	Non-distributable				Distributable		Total RM'000
		Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Financial investments available- for-sale reserve RM'000	Retained profits/ losses (accumulated RM'000)	
The Bank								
At 1 July 2012								
- As previously reported		75,000	-	87,950	83,385	-	(71,611)	174,724
- Effects of adopting MFRS 1 and changes in accounting policies	34	-	-	-	-	-	595	595
At 1 July 2012, as restated		75,000	-	87,950	83,385	-	(71,016)	175,319
Net profit for the financial period		-	-	-	-	-	187	187
Total comprehensive profit for the financial period		-	-	-	-	-	187	187
Issuance of ordinary shares		90,000	-	-	-	-	-	90,000
Issuance of Redeemable Preference Shares		-	1,631	-	-	-	-	1,631
Effect of adopting MFRS for amount vested from Promilia		-	-	-	-	-	2,332	2,332
At 30 September 2012		165,000	1,631	87,950	83,385	-	(68,497)	269,469
At 1 July 2011								
- As previously reported		75,000	-	87,950	83,385	457	10,744	257,536
- Effects of adopting MFRS 1 and changes in accounting policies		-	-	-	-	-	879	879
At 1 July 2011, as restated		75,000	-	87,950	83,385	457	11,623	258,415
Net loss for the financial period		-	-	-	-	-	(5,154)	(5,154)
Other comprehensive income		-	-	-	-	315	-	315
Total comprehensive loss for the financial period		-	-	-	-	315	(5,154)	(4,839)
At 30 September 2011		75,000	-	87,950	83,385	772	6,470	253,577

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 2012.

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	<u>The Group</u>		<u>The Bank</u>	
	<u>30 Sept 2012</u>	<u>30 Sept 2011</u>	<u>30 Sept 2012</u>	<u>30 Sept 2011</u>
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	222	(6,736)	189	(6,741)
Adjustments for non-cash items	132	(3,483)	132	(3,497)
Operating profit/(loss) before changes in working capital:	354	(10,219)	321	(10,238)
Changes in working capital:				
Net changes in operating assets	(402,066)	17,210	(401,960)	17,318
Net changes in operating liabilities	28,841	120,509	27,429	120,413
Income tax paid	-	(4)	-	-
Net cash (used in)/generated from operating activities	<u>(372,871)</u>	127,496	<u>(374,210)</u>	127,493
Cash flows from investing activities	564,980	(98,998)	558,252	(98,998)
Net cash generated from financing activities	91,631	-	91,631	-
Net changes in cash and cash equivalents	283,740	28,498	275,673	28,495
Cash and cash equivalents at beginning of the period	56,965	60,504	56,546	60,220
Cash and cash equivalents at end of the period	<u>340,705</u>	<u>89,002</u>	<u>332,219</u>	<u>88,715</u>
Cash and cash equivalents comprise:				
Cash and short term funds	789,036	140,170	780,550	139,883
Less: Remisiers' and clients' trust monies	(448,331)	(51,168)	(448,331)	(51,168)
	<u>340,705</u>	<u>89,002</u>	<u>332,219</u>	<u>88,715</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 2012.

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EXPLANATORY NOTES

1. Basis of Preparation

The Malaysian Accounting Standard Board ('MASB') has announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards ('IFRS') compliant framework, Malaysia Financial Reporting Standards ('MFRS') for financial year commencing on or after 1 January 2012.

These condensed financial statements of the Group and the Bank for the period ended 30 September 2012 are the first set of interim financial statements prepared in accordance with the Malaysian Financial Reporting Standard ('MFRS'), including MFRS 1 'First-time adoption of MFRS'. Subject to certain transition elections disclosed in note 34, the Group and the Bank have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these condensed financial statements have been restated to give effect to these changes. Note 34 discloses the impact of the transition to MFRS on the Group and Bank's reported financial position, financial performance and cash flows.

The interim financial statements are unaudited and have been prepared in compliance with 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 2012.

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 2012, 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 2012:

- MFRS 139 "Financial Instruments: Recognition
- Revised MFRS 124 "Related Party Disclosures"
- Amendment to MFRS 112 "Income Taxes"
- Amendment to MFRS 1 "First Time Adoption on Fixed Dates and Hyperinflation"
- Amendment to MFRS 7 "Financial Instruments: Disclosures on Transfers of Financial Assets"
- Amendment to MFRS 101 "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 effects to the Group and the Bank, except for the adoption of MFRS 139.

Previously, the Group applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby the Bank Negara Malaysia ('BNM') may prescribed the use of an alternative basis for collective assessment of impairments in loans and advances. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans and receivable is deemed impaired, the Group reversed out the interest income recognised in income statements and set off against the interest receivable in the statements of financial position.

Upon the adoption of MFRS 139, with effect from 1 July 2012, once a collectively assessed loans and receivables has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the income statements.

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's and Bank's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The principal effects of the changes in accounting policies arising from the adoption of MFRS 139 are disclosed in Note 34.

EXPLANATORY NOTES

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 2012.

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 2012.

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 2012.

7. Dividends Paid During the Current Financial Quarter

There were no interim dividends paid or declared during the financial quarter ended 30 September 2012.

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EXPLANATORY NOTES

8. Financial assets held-for-trading

	The Group and the Bank	
	30 Sept 2012	30 June 2012
	RM'000	RM'000
Money market instruments		
Negotiable instruments of deposits	477,609	-
Bank Negara Malaysia Bills	363,588	-
Bankers' acceptances	82,692	-
Malaysian government securities	19,922	-
Quoted securities		
In Malaysia:		
Shares	8,553	-
Unquoted securities		
Private and Islamic debt securities	143,604	-
	1,095,968	-

9. Financial investments available-for-sale

	The Group and the Bank	
	30 Sept 2012	30 June 2012
	RM'000	RM'000
Money market instruments		
Cagamas bonds	5,207	-
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	11,032	-
Unquoted securities		
Shares	2,445	-
Private and Islamic debt securities	67,068	-
	69,513	-
	85,752	-

10. Financial investments held-to-maturity

	The Group and the Bank	
	30 Sept 2012	30 June 2012
	RM'000	RM'000
Money market instruments		
Malaysian Government Investment Issues	5,076	-
Cagamas bonds	10,335	-
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	418,102	-
Unquoted securities		
Private and Islamic debt securities	45,827	-
	479,340	-

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EXPLANATORY NOTES

11. Loans and Advances

	The Group and the Bank	
	30 Sept 2012	Restated 30 June 2012
	RM'000	RM'000
Term loan financing	119,751	-
Share margin financing	149,243	67,141
Revolving credits	713	-
Staff loans	2,890	2,589
Gross loans and advances	<u>272,597</u>	<u>69,730</u>
Less: Allowance for losses on loans and advances		
- collective assessment allowance	(897)	(160)
Total net loans and advances	<u>271,700</u>	<u>69,570</u>
(i) Gross loans and advances disbursed by type of customers are as follows:		
Domestic business enterprises		
- Small and medium enterprises	29,127	-
- Others	140,103	25,402
Individuals	99,754	40,783
Foreign entities	3,613	3,545
	<u>272,597</u>	<u>69,730</u>
(ii) Gross loans and advances analysed by interest rate sensitivity are as follows:		
Variable rate	264,266	31,326
Fixed rate		
- Staff housing loans	2,305	1,957
- Other fixed rate loans	6,026	35,815
Non-interest bearing	-	632
	<u>272,597</u>	<u>69,730</u>
(iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	269,713	67,181
One year to three years	131	338
Three years to five years	427	52
Over five years	2,326	2,159
	<u>272,597</u>	<u>69,730</u>
(iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	91,900	-
Purchase of securities	149,595	67,141
Purchase of transport vehicles	586	633
Purchase of landed properties	2,305	1,956
Personal use	28,211	-
Gross loans and advances	<u>272,597</u>	<u>69,730</u>

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EXPLANATORY NOTES

11. Loans and Advances (continued)

	The Group and the Bank	
	Restated	
	30 Sept 2012	30 June 2012
	RM'000	RM'000
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	272,597	69,730
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
Impaired loans and advances		
Balance at beginning of the period/year	-	-
Amount vested over from Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia")	196	-
	196	-
(vii) Impaired loan and advances by geographical distribution are as follows:		
Malaysia	196	-
(viii) Impaired loan and advances by their economic purposes are as follows:		
Purchase of securities	196	-
(ix) Movements in allowances for loans and advances are as follows:		
Collective assessment allowance		
Balance at beginning of the period/year		
- As previously reported	1,086	1,294
- Effects of adopting MFRS	(926)	(1,122)
- As restated	160	172
Amount vested from Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia")	3,091	-
- Effects of adopting MFRS	(2,346)	-
Amount written back during the financial period/year	(8)	(12)
Balance at end of the period/year	897	160

12. Clients' and Brokers' Balances

	The Group and the Bank	
	Restated	
	30 Sept 2012	30 June 2012
	RM'000	RM'000
Performing accounts	198,510	20,169
Impaired accounts	1,255	185
	199,765	20,354
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(1,216)	(132)
- collective assessment allowance	(167)	(133)
	198,382	20,089

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

13. Other Assets

	The Group		The Bank	
	30 Sept 2012	30 June 2012	30 Sept 2012	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	17	17	-	-
Amount due from a subsidiary	-	-	5,973	73
Amount due from related company	466	2,785	434	2,785
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts	48,901	10,083	48,901	10,083
	49,384	12,885	55,308	12,941

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	
	30 Sept 2012	30 June 2012
	RM'000	RM'000
Fixed Deposit	788,730	-
(i) By Type of deposit		
Fixed Deposit	788,730	-
(ii) By Type of customer		
Government & statutory bodies	625,000	-
Business enterprises	163,730	-
	788,730	-
(iii) The maturity structure of fixed deposits is as follows:		
Due within six months	788,730	-

16. Deposits and Placements of Banks and Other Financial Institutions

	The Group and the Bank	
	30 Sept 2012	30 Sept 2012
	RM'000	RM'000
Licensed banks	434,384	-
Other financial institutions	528,670	-
	963,054	-

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

17. Clients' and Brokers' Balances

Included in clients' and brokers' balances are clients' trust balances, held in trust for clients of RM420,205,000 (30 June 2012: RM26,676,000).

18. 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
30 Sept 2012			
Interest rate related contracts:			
- Interest rate swaps	1,658,500	14,934	21,634
- Futures	1,602,950	867	2,282
- Cross currency swaps	61,180	207	281
Foreign exchange related contracts:			
- Foreign currency swaps	2,389,287	22,306	21,445
- Foreign currency forwards	612	10	-
Equity related contracts:			
- Call option	10,000	2,850	-
	5,722,529	41,174	45,642

19. Other liabilities

	The Group		The Bank	
	30 Sept 2012 RM'000	30 June 2012 RM'000	30 Sept 2012 RM'000	30 June 2012 RM'000
Remisiers' trust deposits	16,689	6,093	16,689	6,093
Other payables and accrued liabilities	318,403	7,509	317,036	7,312
Provision for commitments and contingencies	9,039	9,039	9,039	9,039
	344,131	22,641	342,764	22,444

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

20. Interest Income

	The Group			
	Individual Quarter		Cumulative 3 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended	quarter ended #	year ended	ended #
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,182	1,323	1,182	1,323
Money at call and deposit placements with financial institutions	482	1,507	482	1,507
Financial investments available-for-sale	-	2,138	-	2,138
Others	48	301	48	301
Total interest income	1,712	5,269	1,712	5,269

	The Bank			
	Individual Quarter		Cumulative 3 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended	quarter ended #	year ended	ended #
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,182	1,323	1,182	1,323
Money at call and deposit placements with financial institutions	482	1,507	482	1,507
Financial investments available-for-sale	-	2,138	-	2,138
Others	37	300	37	300
Total interest income	1,701	5,268	1,701	5,268

21. Interest Expense

	The Group and the Bank			
	Individual Quarter		Cumulative 3 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended	quarter ended #	year ended	ended #
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	-	1,118	-	1,118
	-	1,118	-	1,118

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2011 to 30 September 2011.

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

22. Non-interest Income

	<u>Individual Quarter</u>		<u>Cumulative 3 Months Ended</u>	
	<u>Current</u> quarter ended 30 Sept 2012 RM'000	<u>Last year's</u> quarter ended # 30 Sept 2011 RM'000	<u>Current</u> year ended 30 Sept 2012 RM'000	<u>Last year's</u> ended # 30 Sept 2011 RM'000
<u>The Group</u>				
<u>Fee and commission income:</u>				
Advisory and arrangement fees	80	1,066	80	1,066
Underwriting commissions	-	56	-	56
Brokerage commissions	985	2,513	985	2,513
Fees on loans and advances	98	313	98	313
Other fee income	175	81	175	81
	1,338	4,029	1,338	4,029
Net gains arising from financial assets held-for-trading:				
Net gains on disposal	-	33	-	33
Net gains arising from financial investments available-for-sale:				
Net gains on disposal	-	206	-	206
<u>Other income/(expense):</u>				
Gains on disposal of property and equipment	-	1	-	1
Other non-operating (expense)/income	(21)	163	(21)	163
	(21)	164	(21)	164
	1,317	4,432	1,317	4,432
<u>The Bank</u>				
<u>Fee and commission income:</u>				
Advisory and arrangement fees	80	1,066	80	1,066
Underwriting commissions	-	56	-	56
Brokerage commissions	985	2,513	985	2,513
Fees on loans and advances	98	313	98	313
Other fee income	175	81	175	81
	1,338	4,029	1,338	4,029
Net gains arising from financial assets held-for-trading:				
Net gains on disposal	-	33	-	33
Net gains arising from financial investments available-for-sale:				
Net gains on disposal	-	206	-	206
<u>Other income/(expense):</u>				
Gains on disposal of property and equipment	-	1	-	1
Other non-operating (expense)/income	(52)	157	(52)	157
	(52)	158	(52)	158
	1,286	4,426	1,286	4,426

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2011 to 30 September 2011.

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

23. Other Operating Expenses

	The Group			
	Individual Quarter		Cummulative 3 Months Ended	
	Current quarter ended 30 Sept 2012 RM'000	Last year's quarter ended # 30 Sept 2011 RM'000	Current year ended 30 Sept 2012 RM'000	Last year's ended # 30 Sept 2011 RM'000
Personnel expenses	1,457	3,976	1,457	3,976
Promotion and marketing related expenses	13	28	13	28
Establishment related expenses	808	1,312	808	1,312
General administrative expenses	518	889	518	889
	2,796	6,205	2,796	6,205
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	1,158	3,230	1,158	3,230
Defined contribution plan	202	508	202	508
Other employee benefits	97	238	97	238
	1,457	3,976	1,457	3,976
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	-	26	-	26
Marketing related travelling expenses	13	2	13	2
	13	28	13	28
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	121	207	121	207
Amortisation of intangible assets	4	77	4	77
Rental of premises	370	580	370	580
Others	313	448	313	448
	808	1,312	808	1,312
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	(6)	30	(6)	30
Legal and professional fees	82	193	82	193
Others	442	666	442	666
	518	889	518	889

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2011 to 30 September 2011.

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

23. Other Operating Expenses (continued)

	The Bank			
	Individual Quarter		Cummulative 3 Months Ended	
	Current quarter ended 30 Sept 2012 RM'000	Last year's quarter ended # 30 Sept 2011 RM'000	Current year ended 30 Sept 2012 RM'000	Last year's ended # 30 Sept 2011 RM'000
Personnel expenses	1,457	3,977	1,457	3,977
Promotion and marketing related expenses	13	28	13	28
Establishment related expenses	808	1,312	808	1,312
General administrative expenses	509	886	509	886
	2,787	6,203	2,787	6,203
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	1,158	3,230	1,158	3,230
Defined contribution plan	202	529	202	529
Other employee benefits	97	218	97	218
	1,457	3,977	1,457	3,977
(ii) Promotion and marketing related expenses comprise the following:				
Advertisement and publicity expenses	-	26	-	26
Marketing related travelling expenses	13	2	13	2
	13	28	13	28
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	121	207	121	207
Amortisation of intangible assets	4	77	4	77
Rental of premises	370	580	370	580
Others	313	448	313	448
	808	1,312	808	1,312
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	(8)	29	(8)	29
Legal and professional fees	74	191	74	191
Others	443	666	443	666
	509	886	509	886

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 3 months results beginning 1 July 2011 to 30 September 2011.

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

24. (Allowance for)/write-back of Impairment Losses On Loans and Advances and Other Losses

	Individual Quarter		The Group and the Bank Cumulative 3 Months Ended	
	Current quarter ended 30 Sept 2012 RM'000	Last year's quarter ended # 30 Sept 2011 RM'000	Current year ended 30 Sept 2012 RM'000	Last year's ended # 30 Sept 2011 RM'000
	Impairment losses on loans and advances:			
Collective assessment allowance				
- written-back during the period	8	166	8	166
Bad debts on other receivables				
- recovered	-	28	-	28
Allowance for losses on clients' and brokers' balances:				
Collective Assessment (allowance made)/written back during the period	(17)	86	(17)	86
Individual assessment allowance				
- made during the period	(12)	-	(12)	-
- written-back during the period	10	46	10	46
	(11)	326	(11)	326

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HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

25. 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.

	30 September 2012			30 June 2012		
	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk- weighted Assets * RM'000	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk- weighted Assets * RM'000
The Group and the Bank						
Commitments and Contingent Liabilities						
Obligations under underwriting agreement	71,000	35,500	35,500	-	-	-
Direct Credit Substitutes	50,750	50,750	50,750	-	-	-
Other commitments, such as formal standby facilities and credit lines						
- Maturity less than one year	3,766	753	753	-	-	-
- Maturity over one year	277	139	139	641	321	321
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice						
- Maturity less than one year	430,770	-	-	137,469	-	-
	556,563	87,142	87,142	138,110	321	321
Derivative Financial Instruments						
<u>Interest rate related contracts:</u>						
- One year or less	864,130	2,249	450	-	-	-
- Over one year to five years	2,458,500	56,338	12,150	-	-	-
- Over five years	-	-	-	-	-	-
Foreign exchange related contracts						
- One year or less	2,389,899	52,788	10,833	-	-	-
Equity related contracts						
- One year or less	-	-	-	-	-	-
- Over one year to five years	10,000	-	-	-	-	-
	5,722,529	111,375	23,432	-	-	-

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in Bank Negara Malaysia's ("BNM") revised Risk-Weighted Capital Adequacy Framework ("RWCAF").

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

26. Capital Adequacy

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30 Sept 2012</u>	<u>30 June 2012 ^</u>	<u>30 Sept 2012</u>	<u>30 June 2012 ^</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Before deducting proposed dividends:				
Tier I capital ratio	23.4%	147.8%	23.3%	147.6%
Risk-weighted capital ratio	23.6%	149.0%	23.4%	148.5%
After deducting proposed dividends:				
Tier I capital ratio	23.4%	147.8%	23.3%	147.6%
Risk-weighted capital ratio	23.6%	149.0%	23.4%	148.5%

(b) The components of Tier I and Tier II Capital of the Bank are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>30 Sept 2012</u>	<u>30 June 2012 ^</u>	<u>30 Sept 2012</u>	<u>30 June 2012 ^</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Tier I Capital:				
Paid-up share capital	165,000	75,000	165,000	75,000
Share premium	87,950	87,950	87,950	87,950
Other reserve	11,989	11,989	11,774	11,774
	<u>264,939</u>	<u>174,939</u>	<u>264,724</u>	<u>174,724</u>
Less: Deferred tax assets	(35,469)	(35,469)	(35,469)	(35,469)
Total Tier I Capital	<u>229,470</u>	<u>139,470</u>	<u>229,255</u>	<u>139,255</u>
Tier II Capital:				
Redeemable preference shares ("RPS")	1,631	-	1,631	-
Collective assessment allowance	897	1,086	897	1,086
Total Tier II Capital	<u>2,528</u>	<u>1,086</u>	<u>2,528</u>	<u>1,086</u>
Total Capital	<u>231,998</u>	<u>140,556</u>	<u>231,783</u>	<u>140,341</u>
Less: Investment in subsidiaries	-	-	(1,218)	(220)
Capital Base	<u>231,998</u>	<u>140,556</u>	<u>230,565</u>	<u>140,121</u>

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's ("BNM") revised Risk-Weighted Capital Adequacy Framework ("RWCAF") - Basel II. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>30 Sept 2012</u>	<u>30 June 2012 ^</u>	<u>30 Sept 2012</u>	<u>30 June 2012 ^</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Credit risk	737,251	34,602	741,436	34,602
Market risk	185,139	-	185,139	-
Operational risk	59,411	59,760	59,384	59,760
	<u>981,801</u>	<u>94,362</u>	<u>985,959</u>	<u>94,362</u>

^ The above capital adequacy ratio has not been adjusted for the effect of the adoption of FRS 139.

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

27. Credit Exposures Arising From Credit Transactions With Connected Parties

There were no credit transactions and exposures with connected parties as at 30 September 2012. The credit exposures are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

28. Significant Events During the Financial Quarter Ended 30 September 2012

On 13 August 2012, the Bank authorised share capital was increased from RM500,000,000 to RM620,000,000 comprising of 600,000,000 shares of RM1 each and 2,000,000,000 Non-Cumulative Redeemable Preference shares of RM0.01 each.

On 15 August 2012, High Court Malaysia had granted a Vesting Order for the transfer of the entire assets, liabilities, activities, business and undertakings of Promilia Berhad to the Bank with effect from 29 September 2012 ("Vesting").

The effect of the vesting on the Groups's cash flows is as follows:

	The Group RM'000
Cash and short term funds	656,837
Deposits and placements with banks and other financial institutions	132,303
Securities portfolio	1,661,060
Loans and advances	202,974
Other assets	46,787
Property and equipment	6,266
Intangible assets	908
Deferred tax liabilities	(961)
Net derivative financial liabilities	(4,468)
Net clients' and brokers' balances	(427,125)
Deposits from customer	(788,730)
Deposits and placements of banks and other financial institutions	(963,054)
Obligations on securities sold under repurchase agreements	(111,260)
Other liabilities	(115,581)
Total purchase consideration for the vesting	295,956
Less: Cash and cash equivalents of the vesting	(656,837)
Net cash flows of the Group on the vesting	<u>(360,881)</u>

On 29 September 2012, HLIB had issued 90,000,000 new ordinary shares of RM1.00 each at par and 163,076,524 new redeemable preference shares of RM0.01 each at par.

29. Changes in the Composition of the Group and Bank

Following the Vesting, all of the direct subsidiaries of Promilia Berhad had, on the event day, become direct subsidiaries of the Bank.

30. Significant Events Subsequent to the financial quarter

On 1 October 2012, the Bank had changed its name from MIMB Investment Bank Berhad to Hong Leong Investment Bank Berhad ("HLIB").

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

31. Other Commitments

There were no significant outstanding material commitments contracted by the Group and the Bank as at 30 September 2012.

32. Review of performance for the financial quarter ended 30 September 2012 against the corresponding financial quarter.

For the current financial quarter ended 30 September 2012, the Group recorded a profit before tax of RM222K, as compared to a loss before tax of RM6.7 million recorded in the corresponding financial quarter. The increase in profit of RM6.9 million was primarily attributable to the provision for commitments and contingencies amounting to RM9.0 million due to payment of judgement sum and costs awarded by the Court of Appeal against the Bank in last financial quarter.

33. Prospects for 2012

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 enlarge scale from the vesting of business from former HLIB to further improve our market presence.

34. Adoption of MFRS 1 and changes in accounting policies

(A) Adoption of MFRS 1

(i) MFRS 1 mandatory exceptions

Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(ii) MFRS 1 exemption options

Designation of previously recognised financial instruments

MFRS 1 permits a previously recognised financial instrument to be designated as available for sale on the transition date provided the criteria in MFRS 139 'Financial instruments: Recognition and measurement' are met. The Bank is assessing if the option is to be adopted to re-designate certain of its previously recognised held-to-maturity securities as available-for-sale securities at the transition date of 1 July 2012, including obtaining feedback from the regulator. The Bank expects to be in the position to make a decision before the end of the 2nd quarter ending 31 December 2012.

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

34. Adoption of MFRS 1 and changes in accounting policies (continued)

(A) Adoption of MFRS 1 (continued)

(iii) Explanation of transition from FRSs to MFRSs

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years. The following tables represent the reconciliations from FRSs to MFRSs for the respective years noted for equity and total comprehensive income arising from the adoption of the new MFRS framework and the change in accounting policy on impairment of loans and advances as disclosed in Note 1.

(B) Impact on adoption of MFRSs

(i) Impacts on Statements of Financial Position

As at 1 January 2011	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
The Group			
Assets			
Loans and advances			
- Net loans and advances	84,882	1,122	86,004
- Collective impairment allowances	(1,294)	1,122	(172)
Clients' and brokers' balances			
- Net clients' and brokers' balances	34,121	(7)	34,114
- Collective impairment allowances	-	(7)	(7)
Deferred tax assets	35,319	-	35,319
Total equity	276,664	1,115	277,779
Retained profits	29,874	1,115	30,989
The Bank			
Assets			
Loans and advances			
- Net loans and advances	84,882	1,122	86,004
- Collective impairment allowances	(1,294)	1,122	(172)
Clients' and brokers' balances			
- Net clients' and brokers' balances	34,121	(7)	34,114
- Collective impairment allowances	-	(7)	(7)
Deferred tax assets	35,319	-	35,319
Total equity	256,507	1,115	257,622
Retained profits	9,717	1,115	10,832

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

34. Adoption of MFRS 1 and changes in accounting policies (continued)

(B) Impact on adoption of MFRSs (continued)

(i) Impacts on Statements of Financial Position (continued)

As at 30 June 2012	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
The Group			
Assets			
Loans and advances			
- Net loans and advances	68,644	926	69,570
- Collective impairment allowances	(1,086)	926	(160)
Clients' and brokers' balances			
- Net clients' and brokers' balances	20,222	(133)	20,089
- Collective impairment allowances	-	(133)	(133)
Deferred tax assets	35,469	(198)	35,271
Total equity	174,939	595	175,534
Retained profits	(71,396)	595	(70,801)
The Bank			
Assets			
Loans and advances			
- Net loans and advances	68,644	926	69,570
- Collective impairment allowances	(1,086)	926	(160)
Clients' and brokers' balances			
- Net clients' and brokers' balances	20,222	(133)	20,089
- Collective impairment allowances	-	(133)	(133)
Deferred tax assets	35,469	(198)	35,271
Total equity	174,724	595	175,319
Retained profits	(71,611)	595	(71,016)

**(ii) Impacts on the Group's Income Statements/Statements of Comprehensive Income
For the 3 months ended 30 September 2011**

The Group	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
Write-back of allowance for impairment on loans, advances and other losses	520	(194)	326
Loss before taxation	(6,542)	(194)	(6,736)
Taxation	1,637	(49)	1,589
Net profit for the financial period	(4,905)	(243)	(5,148)
Earnings per share (sen) - basic	(6.5)	(0.3)	(6.9)

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)

EXPLANATORY NOTES

34. Adoption of MFRS 1 and changes in accounting policies (continued)

(B) Impact on adoption of MRFSS (continued)

**(ii) Impacts on the Bank's Income Statements/Statements of Comprehensive Income
For the 3 months ended 30 September 2011**

The Bank	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
Write-back of allowance for impairment on loans, advances and other losses	520	(194)	326
Loss before taxation	(6,547)	(194)	(6,741)
Taxation	1,636	(49)	1,588
Net profit for the financial period	(4,911)	(243)	(5,154)
Earnings per share (sen) - basic	(6.5)	(0.3)	(6.9)