Hong Leong Investment Bank Berhad
(Formerly known as MIMB Investment Bank Berhad)
Company no: 10209-W
(Incorporated in Malaysia)

Reports and financial statements
for the financial year ended 30 June 2013

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Hong Leong Investment Bank Berhad
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Directors' report
for the financial year ended 30 June 2013

The Directors of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("the Bank" or "HLIB") have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2013.

Principal activities

The Bank is principally engaged in investment banking, stockbroking business and related financial services.

The principal activities of the subsidiary companies are nominee and custodian services as disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial results

	The Group RM'000	The Bank RM'000
Net profit for the financial year	89,592	89,441

Dividends

No dividend has been paid by the Bank since the end of the previous financial year.

At the forthcoming Annual General Meeting, the Directors of the Bank recommend the payment of 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 of Redeemable Preference Shares amounting to RM28,000,239 for the financial year ended 30 June 2013.

Business strategy for the current financial year

The Bank's strategy is to focus to expand the range of investment banking products and to enable clients access to other foreign capital markets.

Outlook and business plan for the coming financial year

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.

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Significant events during the financial year

Significant events during the financial year are disclosed in Note 43 to the financial statements.

Reserves and provisions

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

Directors

The Directors who have held office since the date of the last report and at the date of this report are as follows:

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Chairman, Independent Non-Executive Director) (Appointed on 29.09.2012)
YBhg Dato' Wee Hoe Soon @ Gooi Hoe Soon	(Independent Non-Executive Director)
YBhg Tan Sri A. Razak bin Ramli	(Independent Non-Executive Director) (Appointed on 29.09.2012)
YBhg Dato' Mohzani bin Abdul Wahab	(Independent Non-Executive Director) (Appointed on 29.09.2012)
Mr Martin Giles Manen	(Independent Non-Executive Director) (Appointed on 29.09.2012)
Mr Choong Yee How	(Non-Independent Non-Executive Director) (Appointed on 29.09.2012)
Ms Lee Jim Leng	Group Managing Director/Chief Executive Officer (Appointed on 29.09.2012)
Dr Zaha Rina binti Zahari	(Independent Non-Executive Director) (Resigned on 29.09.2012)
Ms Lim Lean See	(Independent Non-Executive Director) (Resigned on 29.09.2012)
YBhg Datuk Yvonne Chia	(Non-Independent Non-Executive Director) (Resigned on 29.09.2012)

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Statements of Directors' Responsibility

In preparing the financial statements, the Directors have ensured that the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the financial statements of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 30 June 2013 and of the results and cash flows of the Group and of the Bank for financial year ended on that date.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Bank and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for acheiving certain internal control standards and helps the Group and the Bank manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 152.

Directors' interests

No Director holding office at the end of the financial year end had any interest in the ordinary shares/warrants/options/irredeemable convertible unsecured loan stocks of the Bank and/or its related corporations during the financial year ended 30 June 2013 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, except for YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Mr Choong Yee How whose interests are disclosed in the Directors' Report of the immediate holding company as provided for under Section 134 of the Companies Act 1965, and Ms Lee Jim Leng whose interests are as follows:-

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Directors' interests (continued)

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired Arising from the exercise of options/convertible bonds				
	Nominal value per share RM	**At 01-07-2012**	**Acquired**	**Sold**	**At 30-06-2013**
Interests of Ms Lee Jim Leng					
Hong Leong Capital Berhad	1.00	-	1,450,000[1]	(499,000)[2]	951,000
		1,500,000*	2,000,000	(1,450,000)[1]	2,050,000*

[1] Exercise of share options

[2] Inclusive of acceptance of voluntary take-over offer

Directors' benefits

Since the end of the previous financial year, no Director of the Bank received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank or its related corporations) by reason of a contract made by the Bank or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate, other than the shares options granted pursuant to the Executive Share Option Scheme.

Share capital

On 29 September 2012, the Bank allotted and issued 90,000,000 ordinary shares of RM1.00 each to Hong Leong Capital Berhad and 163,076,524 redeemable preference shares of RM0.01 each to HLG Securities Sdn Bhd, thereby increasing its issued and paid-up share capital to RM166,630,765.24 divided into 165,000,000 ordinary shares of RM1.00 each and 163,076,524 redeemable preference shares of RM0.01 each.

Corporate Governance

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Bank towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders.

The Bank adheres to the principles and minimum standards for sound corporate governance as set out in BNM's Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1).

A Board of Directors ("Board")

I The Board

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies, overseeing and evaluating the conduct of the Bank's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities required of them by BNM as specified in guidelines or circulars issued by BNM from time to time.

The Board observes the Bank's Directors' Code of Ethics established by the Companies Commission of Malaysia and BNM/GP7 Code of Ethics: Guidelines on Code of Conduct for Directors, Officers and Employees in the Banking industry.

II Board Balance

The Board comprises seven (7) directors, six (6) of whom are non-executive. Of the non-executive directors, five (5) are independent.

The Board is of view that the current Board composition fairly reflects the investment of shareholders in the Bank.

The Chairman ensures the smooth and effective functioning of the Board.

The Group Managing Director/Chief Executive Officer ("GMD/CEO") is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for operating companies, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholders' wealth.

Corporate Governance (continued)

A Board of Directors (continued)

III Board Meetings

The Board met nine (9) times during the financial year ended 30 June 2013 with timely notices of issues to be discussed. Details of attendance of each director are as follow:

Director	Attendance
Dr Zaha Rina binti Zahari +	2/2 *
Ms Lim Lean See +	2/2 *
YBhg Datuk Yvonne Chia +	2/2 *
YBhg Dato' Wee Hoe Soon @ Gooi Hoe Soon	9/9
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman^	7/7 *
YBhg Tan Sri A. Razak bin Ramli^	7/7 *
YBhg Dato' Mohzani bin Abdul Wahab ^	7/7 *
Mr Martin Giles Manen ^	7/7 *
Mr Choong Yee How ^	6/7 *
Ms Lee Jim Leng ^	6/7 *

Notes:

^ Appointed on 29.09.2012
+ Resigned on 29.09.2013
* Based on the number of meetings attended for the financial year ended 30 June 2013 since appointment

At the Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

IV Supply of Information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Bank and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary and Internal Auditors. All Directors also have access to independent professional advice at the Bank's expense, in consultation with the Chairman or the GMD/CEO of the Bank.

Corporate Governance (continued)

A Board of Directors (continued)

V Board Audit and Risk Management Committee ("BARMC")

The financial reporting and internal control system of the Bank are overseen by the BARMC, which was established on 4 October 2012.

Composition

The BARMC should comprise of only non-executive directors with at least three (3) members. The BARMC should be chaired by an independent director. The BARMC comprises:

YBhg Tan Sri A. Razak bin Ramli	(Chairman, Independent Non-Executive Director)
Mr Martin Giles Manen	(Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)

Secretary

The secretary of the BARMC is the Group Company Secretary.

Terms of Reference

Audit

(a) To nominate and recommend for the approval of the Board, a person or persons as external auditor(s).
(b) To review the external audit fees.
(c) To review, with the external auditors, the audit scope and plan. .
(d) To review, with the external auditors, the audit report and audit findings and the management’s response thereto.
(e) To review the assistance given by the officers of the Bank and its subsidiaries (the “Group”) to the external auditors.
(f) To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors.
(g) To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.
(h) To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts.
(i) To engage on a continuous basis with the Chairman, senior management, such as the Chief Executive Officer, the Chief Risk Officer, the Head of Compliance, the Group Financial Controller, the Chief Internal Auditor and the external auditors in order to be kept informed of matters affecting the Bank.

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Corporate Governance (continued)

A Board of Directors (continued)

V BARMC (continued)

Terms of Reference (continued)

Audit (continued)

(j) To review the quarterly reports and annual financial statements of the Bank prior to the approval by the Board.
(k) To review the performance and adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function as stipulated in the Service Level Agreement.
(l) To review the report and findings of the Group Internal Audit Department including any findings of internal investigations and the management's response thereto.
(m) To consider the provision of non-audit services by the external auditors.
(n) To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor.
(o) To review the audit plan, audit charter and budget of the Group Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Group Internal Audit Department is distinct and has the appropriate status within the overall organisation structure for the internal auditors to achieve their audit objectives.
(p) Other audit functions as may be agreed to by the Committee and the Board.

Risk Management

(a) To oversee senior management's activities in managing credit, market, liquidity, operational, and IT risks and to ensure that the risk management process is in place and functioning.
(b) To review and report to the Board measures taken to:
   (i) Identify and examine principal risks faced by the Bank.
   (ii) Implement appropriate systems and internal controls to manage these risks.
(c) To review, recommend and/or endorse the Bank's major risk management policies, strategies and risk tolerance for Board's approval.
(d) To endorse the Bank's risk appetite, internal capital target, Internal Capital Adequacy Assessment Process ("ICAAP") and Capital Management Framework for Board's approval.
(e) To oversee and monitor implementation of the Risk and Capital Management Framework and activities adopted by the Bank.
(f) To ensure that senior management discharges its responsibilities for the development and effective implementation of the ICAAP.
(g) To oversight the control of the ICAAP within the Bank.
(h) To review the implementation of capital management in line with the Capital Management Framework, contingency funding plan.
(i) To review and endorse capital plan.

Corporate Governance (continued)

A Board of Directors (continued)

V BARMC (continued)

Terms of Reference (continued)

Risk Management (continued)

(j) To review and endorse the Bank's internal capital assessment.
(k) To review capital stress test scenarios, parameters, key assumptions and results.
(l) To endorse action plans for any capital limit or Management Action Trigger ("MAT") breaches.
(m) To endorse the allocation of risk-adjusted capital (if applicable).
(n) To review periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
(o) To review the adequacy and effectiveness of internal controls and risk management process.
(p) To review related party transactions and conflict of interest situations that may arise within the Bank or Group including any transaction, procedure or conduct that raises questions of management integrity.
(q) To review and assess adequacy of risk management and compliance policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
(r) To ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities.
(s) Other risk management functions as may be agreed to by the Committee and the Board.

During the financial year ended 30 June 2013, five (5) BARMC meetings were held and the attendance of the Members was as follows:-

Member	Attendance
YBhg Tan Sri A. Razak bin Ramli *	5/5
Mr Martin Giles Manen *	5/5
Mr Choong Yee How *	5/5

Note:
* Appointed on 01.10.2012

Authority

(a) The BARMC is authorised by the Board to review any activity of the Bank within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the Committee.

(b) The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

Corporate Governance (continued)

A Board of Directors (continued)

V BARMC (continued)

Meetings

(a) The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

(b) The Group Managing Director, Chief Executive Officer, Chief Risk Officer, Head of Compliance, Chief Internal Auditor, Group Financial Controller and external auditors are invited to attend BARMC meetings, where applicable.

(c) Two (2) members of the Committee, who shall be independent and non-executive, shall constitute a quorum.

(d) After each Committee meeting, the Committee report and update the Board on significant issues and concerns discussed during the Committee meetings and where applicable, make the necessary recommendations to the Board.

Activities

(a) The BARMC carried out its duties in accordance with its terms of reference.

(b) The BARMC met five (5) times during the financial year ended 30 June 2013. YBhg Tan Sri A. Razak bin Ramli, Mr Martin Giles Manen and Mr Choong Yee How attended all the meetings held during the financial year.

(c) The BARMC reviewed the quarterly reports and annual financial statements of the Bank. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in accounting and auditing issues, reviewed the management letter and management's response, examined pertinent issues which had significant impact on the results of the Bank and discussed applicable accounting and auditing standards. The BARMC also reviewed the internal auditors' audit findings and recommendations as well as Bank Negara Malaysia's Examination Reports on the Bank.

(d) In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the process put in place to identify, evaluate and manage the significant risks encountered by the Bank.

(e) The BARMC reviewed various related party transactions carried out by the Bank.

Corporate Governance (continued)

A Board of Directors (continued)

VI Nominating and Remuneration Committee ("NRC")

The NRC was established on 4 October 2012 and the members are as follows:-

YBhg Tan Sri Dato’ Seri Khalid Ahmad bin Sulaiman (Chairman, Independent Non-Executive Director)
YBhg Tan Sri A. Razak bin Ramli (Independent Non-Executive Director)
YBhg Dato’ Mohzani bin Datuk Dr Abdul Wahab (Independent Non-Executive Director)
Mr Martin Giles Manen (Independent Non-Executive Director)
Mr Choong Yee How (Non-Independent Non-Executive Director)

Secretary

The Secretary of the Bank or such other person as nominated by the Board will be the secretary of the NRC.

Terms of Reference

Nominating Functions and Duties

(a) Responsible for the nomination related matters of the Board of HLIB. The NRC assists the Board of HLIB in formulating and developing remuneration packages of Directors, Chief Executive Officers (“CEO”) and key senior management staff as well as Board and Committee appointments through the periodical review of the relevant mix of skills and experiences inherent in the respective Boards.

(b) Establishing the minimum requirements for the Board of HLIB namely required mix of skills, experience, qualification and other core competencies required of a Director. The NRC is also responsible for establishing the minimum requirements for the CEO. The requirements and criteria should be approved by the full Board.

(c) Recommending and assessing the nominees for directorship, board committee members as well as nominees for the CEO and ensuring compliance with Section 59 of the Financial Services Act 2013. This includes assessing Directors for reappointment, before an application for approval is submitted to Bank Negara Malaysia. The actual decision as to who shall be nominated should be the responsibility of the full Board.

(d) Overseeing the overall composition of the Board and Board Committees, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.

(e) Recommending to the Board the removal of a Director/CEO/key senior management officer from the Board/management if the Director/CEO/key senior management officer is ineffective, errant and negligent in discharging his responsibilities.

(f) Establishing a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board’s various committees and the performance of the CEO and other key senior management officers. Annual assessment should be conducted based on an objective performance criterion. Such performance criteria should be approved by the full Board.

Corporate Governance (continued)

A Board of Directors (continued)

VI NRC (continued)

Terms of Reference (continued)

Nominating Functions and Duties (continued)

(g) Ensuring that all Directors receive an appropriate continuous training programme in order to keep abreast with the latest developments in the industry.
(h) Overseeing the appointment, management succession planning and performance evaluation of key senior management officers.
(i) Assessing, on an annual basis, to ensure that the Directors and key senior management officers are not disqualified under section 59 of the Financial Services Act 2013.
(j) The nomination role of the NRC should not be delegated with decision-making powers but should report to the full Board for decision.

Remuneration Functions and Duties

(a) Recommending a framework of remuneration for Directors, CEO and key senior management officers for the full Board's approval. The remuneration framework should support the Group culture, objectives and strategy and should reflect the responsibility and commitment, which goes with board membership and responsibilities of the CEO and senior management officers. There should be balance in determining the remuneration package, which should be sufficient to attract and retain Directors of caliber, and yet not excessive to the extent of licenced institution's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including Director's fees, salaries, allowances, bonuses, options and benefits-in-kind.

(b) Recommending specific remuneration packages for Executive Directors and the CEO. The remuneration package should be structured such that it is competitive and consistent with the Group culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. In addition, the remuneration of each Board member may differ based on their level of expertise, knowledge and experience.

Corporate Governance (continued)

A Board of Directors (continued)

VI NRC (continued)

During the financial year ended 30 June 2013, one (1) NRC meeting was held since established of the NRC on 4 October 2012 and the attendance of the members was as follows:-

Member	**Attendance**
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (Chairman) *	1/1
YBhg Tan Sri A. Razak bin Ramli *	1/1
YBhg Dato' Mohzani bin Datuk Dr Abdul Wahab *	1/1
Mr Martin Giles Manen *	1/1
Mr Choong Yee How *	1/1

Note:

* Appointed on 04.10.2012

The NRC reviewed the membership of the Board, the professional qualifications and experience of the directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NRC also reviewed the performance of the Board against its terms of reference and was satisfied that the Board was competent and effective in discharging its functions.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The fees of directors, including Non-Executive directors, are recommended and endorsed by the Board for approval by the shareholder of the Bank at its AGM.

Re-election

All Directors are required to submit themselves for re-election every three years.

Corporate Governance (continued)

B Accountability and Audit

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Bank. Investigation will be made at the request of the Board and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the Board meetings where appropriate actions will be taken.

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Bank. The Board receives the recommendation to adopt the financial statements from the BARMC which assesses the financial statements with the assistance of the external auditors.

II Internal Control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC to the Board, which determines the remuneration of the external auditors. During the financial year under review, the external auditors met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors met with the BARMC Members twice a year without the presence of executive directors and the management.

Corporate Governance (continued)

C Risk Management

I Overview

The risk management functions of the Bank are undertaken by its immediate holding company, HLCB, under its established risk management framework. To support risk management at executive management level, a dedicated capability for monitoring, measuring and evaluating risk has been established and is undertaken by the Risk Management Department, which reports to the BARMC at HLIB and HLCB.

II Overall Risk Management Framework

The Board oversees the implementation of the risk management framework of the Bank. In discharging this responsibility, the Board ensures that the Bank has in place their respective risk management policies, methodologies and control limits for management of key areas of risks i.e. credit, market, liquidity and operational risks. The Board provides oversight on the proper functioning of risk management framework of the Bank by undertaking periodic review of their risk management processes to the extent permissible under the regulatory framework of the Bank and is also given assurance at these reviews on the adequacy and integrity of the system of internal controls. In discharging this oversight role, the Board is assisted by the Risk Management Department, Group Internal Audit Department, the Bank's Compliance Officer and the Head of Finance.

The controls built into the risk management framework are not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud. Refer to Note 41 for further details.

Statutory information regarding the Group and the Bank

(a) As at the end of the financial year

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

Statutory information regarding the Group and the Bank (continued)

(b) From the end of the financial year to the date of this report

(i) The Directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
- which would render the values attributed to current assets in the financial statements misleading; and
- which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Bank for the financial year ended 30 June 2013 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

(c) As at the date of this report

(i) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.

(ii) There are no contingent liabilities which had arisen since the end of the financial year.

(iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

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Directors' report
for the financial year ended 30 June 2013

Holding and ultimate holding companies

The immediate holding and ultimate holding companies are HLCB and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLCB is listed on the Main Market of Bursa Malaysia Securities Berhad.

Auditors

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 July 2013.

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director

Lee Jim Leng
Director

Kuala Lumpur
18 September 2013

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Statements of Financial Position as at 30 June 2013

		The Group			The Bank		
		30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	Note	**RM'000**	RM'000	RM'000	**RM'000**	RM'000	RM'000
Assets							
Cash and short-term funds	**4**	**556,269**	70,112	55,993	**554,702**	69,693	55,709
Clients' and brokers' balances	**5**	**147,539**	20,089	34,114	**147,539**	20,089	34,114
Reverse repurchase agreements		**274,388**	-	-	**274,388**	-	-
Deposits and placements with banks and other financial institutions	**6**	**325,201**	271	162	**324,930**	-	-
Financial assets at fair value through profit or loss	**7**	**662,973**	-	-	**662,973**	-	-
Financial investments available-for-sale	**8**	**264,638**	-	50,960	**264,638**	-	50,960
Financial investments held-to-maturity	**9**	**253,911**	-	-	**253,911**	-	-
Loans and advances	**10**	**174,184**	69,570	86,062	**174,184**	69,570	86,062
Other assets	**11**	**13,070**	12,885	7,356	**13,067**	12,941	7,330
Derivative financial assets	**21**	**40,941**	-	-	**40,941**	-	-
Statutory deposits with Bank Negara Malaysia	**12**	**24,500**	-	59	**24,500**	-	59
Deferred tax assets	**13**	**61,978**	35,271	35,317	**61,978**	35,271	35,317
Investment in subsidiary companies	**14**	**-**	-	-	**1,455**	220	220
Property and equipment	**15**	**6,667**	981	2,638	**6,667**	981	2,638
Intangible assets	**16**	**1,054**	23	309	**1,054**	23	309
Goodwill	**17**	**28,986**	-	86,610	**28,986**	-	66,663
Total assets		**2,836,299**	209,202	359,580	**2,835,913**	208,788	339,381
Liabilities							
Clients' and brokers' balances		**127,327**	10,157	21,116	**127,327**	10,157	21,116
Deposits from customers	**18**	**470,169**	-	-	**470,169**	-	-
Deposits and placements of banks and other financial institutions	**19**	**1,542,975**	-	40,006	**1,542,975**	-	40,006
Repurchased agreements		**177,033**	-	-	**177,033**	-	-
Other liabilities	**20**	**92,265**	22,641	20,627	**92,245**	22,444	20,585
Derivative financial liabilities	**21**	**32,773**	-	-	**32,773**	-	-
Provision for tax		**-**	870	52	**-**	868	52
Total liabilities		**2,442,542**	33,668	81,801	**2,442,522**	33,469	81,759
Equity							
Share capital	**22**	**165,000**	75,000	75,000	**165,000**	75,000	75,000
Redeemable preference shares	**23**	**1,631**	-	-	**1,631**	-	-
Reserves	**24**	**227,126**	100,534	202,779	**226,760**	100,319	182,622
Total equity		**393,757**	175,534	277,779	**393,391**	175,319	257,622
Total equity and liabilities		**2,836,299**	209,202	359,580	**2,835,913**	208,788	339,381
Commitments and contingencies	**36**	**6,181,545**	174,167	376,899	**6,181,545**	174,167	376,899

Hong Leong Investment Bank Berhad
(Formerly known as MIMB Investment Bank Berhad)
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(Incorporated in Malaysia)

Income Statements
for the financial year ended 30 June 2013

		The Group		The Bank	
		12 month period ended 30.06.2013	18 month period ended 30.06.2012	**12 month period ended 30.06.2013**	18 month period ended 30.06.2012
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Interest income	25	**59,262**	18,761	**59,262**	18,757
Interest expense	26	**(35,299)**	(4,295)	**(35,299)**	(4,295)
Net interest income		**23,963**	14,466	**23,963**	14,462
Non-interest income	27	**124,981**	24,665	**124,734**	24,658
		148,944	39,131	**148,697**	39,120
Overhead expenses	28	**(86,345)**	(46,055)	**(86,111)**	(46,051)
Operating profit/(loss) before allowances		**62,599**	(6,924)	**62,586**	(6,931)
Allowance for impairment losses on advances and other losses	29	**(12)**	(81)	**(153)**	(81)
(Allowance for)/writeback of impairment losses on securities	30	**(1,759)**	1,737	**(1,759)**	1,737
Provision for commitments and contingencies		**-**	(8,954)	**-**	(8,954)
Impairment of goodwill	17	**-**	(86,610)	**-**	(66,663)
Profit/(loss) before taxation		**60,828**	(100,832)	**60,674**	(80,892)
Taxation	32	**28,764**	(36,427)	**28,767**	(36,425)
Net profit/(loss) for the financial year/period		**89,592**	(137,259)	**89,441**	(117,317)
Earnings per share (sen)					
- Basic	33	**62.6**	(183.0)	**62.5**	(156.4)
- Diluted	33	**62.6**	(183.0)	**62.5**	(156.4)

Hong Leong Investment Bank Berhad
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Statements of Comprehensive Income
for the financial year ended 30 June 2013

		The Group		The Bank	
	Note	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Net profit/(loss) for the financial year/period		**89,592**	(137,259)	**89,441**	(117,317)
Other comprehensive loss:					
Net fair value changes on financial investments available-for-sale		**(13,457)**	(607)	**(13,457)**	(607)
Income tax relating to net fair value changes on financial investments available-for-sale	**13**	**3,364**	152	**3,364**	152
Other comprehensive loss for the year/period, net of tax		**(10,093)**	(455)	**(10,093)**	(455)
Total comprehensive income/(loss) for the financial year/period, net of tax		**79,499**	(137,714)	**79,348**	(117,772)

Hong Leong Investment Bank Berhad
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Statements of changes in equity for the financial year ended 30 June 2013

		Attributable to owner of the parent						
The Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Redeemable preference shares RM'000**	**Statutory reserve RM'000**	**Fair value reserve RM'000**	**Accumulated losses RM'000**	**Total RM'000**
At 1 July 2012								
- as previously reported		75,000	87,950	-	83,385	-	(71,396)	174,939
- effect of full adoption of MFRS 139	45	-	-	-	-	-	595	595
At 1 July 2012, as restated		75,000	87,950	-	83,385	-	(70,801)	175,534
Net profit for the financial year		-	-	-	-	-	89,592	89,592
Other comprehensive loss		-	-	-	-	(10,093)	-	(10,093)
Total comprehensive income for the financial year		-	-	-	-	(10,093)	89,592	79,499
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
Gain arising from call option for purchase of shares for ESOS		-	-	-	-	-	3,289	3,289
Transfer to statutory reserve		-	-	-	22,360	-	(22,360)	-
At 30 June 2013		165,000	87,950	1,631	153,097	954	(14,875)	393,757

Hong Leong Investment Bank Berhad
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Statements of changes in equity for the financial year ended 30 June 2013 (continued)

		Attributable to owner of the parent					
The Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits/ Accumulated losses RM'000**	**Total RM'000**
At 1 January 2011							
- as previously reported		75,000	87,950	83,385	455	29,874	276,664
- effect of full adoption of MFRS 139		-	-	-	-	1,115	1,115
At 1 January 2011, as restated		75,000	87,950	83,385	455	30,989	277,779
Net loss for the financial period		-	-	-	-	(137,259)	(137,259)
Other comprehensive loss		-	-	-	(455)	-	(455)
Total comprehensive loss for the financial period		-	-	-	(455)	(137,259)	(137,714)
Recognition of deferred tax assets as equity contribution	13	-	-	-	-	35,469	35,469
At 30 June 2012		75,000	87,950	83,385	-	(70,801)	175,534

Hong Leong Investment Bank Berhad
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Statements of changes in equity for the financial year ended 30 June 2013 (continued)

		Non-distributable				Distributable		
The Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Redeemable preference shares RM'000**	**Statutory reserve RM'000**	**Fair value reserve RM'000**	**Accumulated losses RM'000**	**Total RM'000**
At 1 July 2012								
- as previously reported		75,000	87,950	-	83,385	-	(71,611)	174,724
- effect of full adoption of MFRS 139		-	-	-	-	-	595	595
At 1 July 2012, as restated		75,000	87,950	-	83,385	-	(71,016)	175,319
Net profit for the financial year		-	-	-	-	-	89,441	89,441
Other comprehensive loss		-	-	-	-	(10,093)	-	(10,093)
Total comprehensive income for the financial year		-	-	-	-	(10,093)	89,441	79,348
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
Gain arising from call option for purchase of shares for ESOS		-	-	-	-	-	3,289	3,289
Transfer to statutory reserve		-	-	-	22,360	-	(22,360)	-
At 30 June 2013		165,000	87,950	1,631	153,097	954	(15,241)	393,391

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Statements of changes in equity for the financial year ended 30 June 2013 (continued)

The Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Retained profits/ Accumulated losses RM'000	Total RM'000
		Non-distributable				Distributable	
At 1 January 2011							
- as previously reported		75,000	87,950	83,385	455	9,717	256,507
- effect of full adoption of MFRS 139		-	-	-	-	1,115	1,115
At 1 January 2011, as restated		75,000	87,950	83,385	455	10,832	257,622
Net loss for the financial period		-	-	-	-	(117,317)	(117,317)
Other comprehensive loss		-	-	-	(455)	-	(455)
Total comprehensive loss for the financial period		-	-	-	(455)	(117,317)	(117,772)
Recognition of deferred tax assets as equity	13	-	-	-	-	35,469	35,469
At 30 June 2012		75,000	87,950	83,385	-	(71,016)	175,319

Hong Leong Investment Bank Berhad
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Statements of cash flows for the financial year ended 30 June 2013

	The Group		The Bank	
	12 month period ended	18 month period ended	**12 month period ended**	18 month period ended
	30.06.2013	30.06.2012	**30.06.2013**	30.06.2012
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	**60,828**	(100,832)	**60,674**	(80,892)
Adjustments for:				
Depreciation of property and equipment	**1,673**	1,336	**1,673**	1,336
Amortisation of intangible assets	**427**	414	**427**	414
Option charge arising from ESOS	**8,141**	-	**8,141**	-
Gain on sale of property and equipment	**-**	(200)	**-**	(200)
Property and equipment written off	**12**	589	**12**	589
Intangible assets written off	**-**	939	**-**	939
Allowance for/(writeback of) impairment losses on loans and advances	**85**	(12)	**85**	(12)
(Writeback of)/allowance for impairment losses on clients' and brokers' balances	**(131)**	133	**(131)**	133
Allowance for losses on other debtors	**345**	62	**345**	62
Allowance for impairment on subsidiary	**-**	-	**100**	-
Allowance for/(writeback of) impairment losses on securities	**1,759**	(1,737)	**1,759**	(1,737)
Net unrealised loss on revaluation of financial assets at fair value through profit or loss	**151**	-	**151**	-
Net unrealised gain on revaluation of derivative financial instruments	**(9,185)**	-	**(9,185)**	-
Interest income:				
- financial assets held-for-trading	**(21,225)**	-	**(21,225)**	-
- financial investments available-for-sale	**(4,140)**	(6,029)	**(4,140)**	(6,029)
- financial investments held-to-maturity	**(8,782)**	-	**(8,782)**	-
- derivative financial instruments	**(2,417)**	-	**(2,417)**	-
Interest expense for derivative financial instruments	**3,255**	-	**3,255**	-
Dividends from financial assets held-for-trading and financial investments available-for-sale	**(671)**	-	**(671)**	-
Provision for commitments and contingencies	**-**	8,954	**-**	8,954
Impairment of goodwill	**-**	86,610	**-**	66,663
	(30,703)	91,059	**(30,603)**	71,112
Operating profit/(loss) before working capital changes	**30,125**	(9,773)	**30,071**	(9,780)

Hong Leong Investment Bank Berhad
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Statements of cash flows for the financial year ended 30 June 2013 (continued)

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
(Increase)/decrease in operating assets				
Clients' and brokers' balances	**53,548**	13,892	**53,548**	13,892
Reverse repurchase agreements	**(274,388)**	-	**(274,388)**	-
Deposits and placements with banks and other financial institutions	**(192,627)**	(109)	**(192,627)**	-
Financial assets at fair value through profit or loss	**428,325**	(93)	**428,325**	(93)
Financial investments available-for-sale	**34,889**	52,698	**34,889**	52,698
Financial investments held-to-maturity	**5,987**	-	**5,987**	-
Loans and advances	**100,620**	16,504	**100,620**	16,504
Other assets	**37,273**	(5,593)	**42,809**	(5,675)
Derivative financial assets	**54**	-	**54**	-
Statutory deposits with Bank Negara Malaysia	**(16,200)**	59	**(16,200)**	59
Increase/(decrease) in operating liabilities				
Clients' and brokers' balances	**(47,130)**	(10,959)	**(47,130)**	(10,959)
Deposits from customers	**(318,561)**	-	**(318,561)**	-
Deposits and placements of banks and other financial institutions	**579,921**	(40,006)	**579,921**	(40,006)
Repurchased agreements	**65,773**	-	**65,773**	-
Other liabilities	**(41,191)**	(7,026)	**(41,037)**	(7,187)
Cash generated from/(used in) operating activities	**446,418**	9,594	**452,054**	9,453
Income tax paid	**(30)**	(6)	**-**	-
Net cash generated from/(used in) operating activities	**446,388**	9,588	**452,054**	9,453

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Statements of cash flows for the financial year ended 30 June 2013 (continued)

	Note	The Group 12 month period ended 30.06.2013 RM'000	The Group 18 month period ended 30.06.2012 RM'000	The Bank 12 month period ended 30.06.2013 RM'000	The Bank 18 month period ended 30.06.2012 RM'000
Cash flows from investing activities					
Vesting of assets and liabilities from Promilia	43(b)	**(3,269)**	-	**(9,746)**	-
Proceeds from disposal of property and equipment		**-**	1,289	**-**	1,289
Interest received from financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity		**45,146**	5,666	**45,146**	5,666
Interest expense paid for derivative financial instruments		**(1,054)**	-	**(1,054)**	-
Dividends from financial assets at fair value through profit or loss and financial investments available-for-sale		**601**	-	**601**	-
Net purchase of intangible assets		**(550)**	(1,022)	**(550)**	(1,022)
Purchase of property and equipment		**(1,105)**	(1,402)	**(1,105)**	(1,402)
Investment in subsidiaries		**-**	-	**(337)**	-
Net cash generated from investing activities		**39,769**	4,531	**32,955**	4,531
Net increase in cash and cash equivalents		**486,157**	14,119	**485,009**	13,984
Cash and cash equivalents at beginning of financial year		**70,112**	55,993	**69,693**	55,709
Cash and cash equivalents at end of financial year		**556,269**	70,112	**554,702**	69,693
Cash and cash equivalents comprise:					
Cash and short term funds	4	**556,269**	70,112	**554,702**	69,693

Summary of Significant Accounting Policies for the financial year ended 30 June 2013

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

1 Basis of preparation of the financial statements

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

The financial statements of the Group and the Bank have been prepared in accordance with the provisions of the MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Bank for the year ended 30 June 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 "First-time adoption of MFRS".

Subject to certain transition elections disclosed in Note 45 to the financial statements, the Group and the Bank have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2012 in these financial statements have been restated to give effect to these changes. Note 45 discloses the impact of the transition to MFRS on the Group's and the Bank's reported financial position, financial performance and cash flows.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates.

Summary of Significant Accounting Policies for the financial year ended 30 June 2013

1 Basis of preparation of the financial statements (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

(i) Financial year beginning on/after 1 July 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities"

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

1 Basis of preparation of the financial statements (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(ii) Financial year beginning on/after 1 July 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(ii) Financial year beginning on/after 1 July 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosure on transition from MFRS 139 to MFRS 9.

The adoption of the new standards, amendments to published standards are not expected to have a material impact on the financial results of the Group and the Bank, except that the Group is in the process of reviewing the requirements of MFRS 9 and expects this process to be completed prior to the effective date on 1 July 2015.

Summary of Significant Accounting Policies for the financial year ended 30 June 2013

2 Summary of significant accounting policies

A Consolidation

(i) Subsidiaries

The Bank treats as subsidiaries those corporations, partnerships or other entities (including special purpose entities) in which the Bank has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The Group incorporates the subsidiary's results, assets and liabilities prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity before the transaction occurred and the corresponding amounts for the previous year are also not restated.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2 Summary of significant accounting policies (continued)

A Consolidation (continued)

(i) Subsidiaries (continued)

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Investment in subsidiaries

In the Bank's separate financial statements, the investment in subsidiaries is stated at cost less impairment losses. At each reporting date, the Bank assesses whether there is an indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the profit or loss.

Summary of Significant Accounting Policies for the financial year ended 30 June 2013

2 Summary of significant accounting policies (continued)

A Consolidation (continued)

(iv) Disposal of subsidiaries

When the group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

B Recognition of interest income

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2 Summary of significant accounting policies (continued)

C Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Dividends from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets held-for-trading and financial investments available-for-sale are recognised upon disposal of the financial instruments, as the difference between net disposal proceeds and the carrying amount of the financial instruments.

Brokerage income is recognised when contracts are executed. Rollover fees, nominees services and handling charges are recognised on an accrual basis.

Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Commission from future clients is recognised upon execution of trade on behalf of clients.

D Financial assets

(a) Classification

The Group and the Bank classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. Management determines the classifications of its securities up-front at the point when transactions are entered into.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of financial assets held-for-trading and other financial assets designated by the Group and the Bank as fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

2 Summary of significant accounting policies (continued)

D Financial assets (continued)

(a) Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Bank's management has the positive intent and ability to hold to maturity. If the Group and the Bank sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the profit or loss.

(c) Subsequent measurement

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit or loss in the period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in equity, until the securities are derecognised or impaired at which time the cumulative gains or losses previously recognised in equity are recognised in the profit or loss. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the profit and loss in the period it arises.

2 Summary of significant accounting policies (continued)

D Financial assets (continued)

(c) Subsequent measurement (continued)

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from de-recognition or impairment of the securities are recognised in the profit or loss.

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the profit or loss. Dividends from available-for-sale equity instruments are recognised in the profit or loss when the entity's right to receive payment is established.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the profit or loss. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss.

E Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

2 Summary of significant accounting policies (continued)

E Financial liabilities (continued)

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

F Impairment of financial assets

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Bank first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and the Company and historical loss experience for assets with credit risk characteristics similar to those in the Group and in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the financial period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

2 Summary of significant accounting policies (continued)

F Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from financial period to financial period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occuring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Change in accounting policy

Previously, the Group applied the Amendment to FRS 139 “Financial Instruments: Recognition and Measurement”, which included an additional transitional arrangement for financial sectors, whereby BNM prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, 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 effect from 1 January 2012, BNM has removed the transitional provision for banking institutions 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. The financial impact arising on the adoption of MFRS 139 is set out in Note 45 to the financial statements.

2 Summary of significant accounting policies (continued)

F Impairment of financial assets (continued)

(b) Assets carried at available-for-sale

The Group and the Bank assesses at each reporting date whether there is objective evidence that the financial asset is impaired.

For debt securities, the Group and the Bank uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for assets carried at amortised cost above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an objective evidence that an impairment loss on financial investments available-for-sale has been incurred, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the profit or loss.

G Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Bank under standard repurchase agreements transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

H Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

I Clients' and brokers' balances

In accordance with the Rules of Bursa Malaysia Securities Berhad, clients' accounts are classified as impaired accounts (previously referred to as as non-performing) under the following circumstances:

Types	Criteria for classification as impaired
Contra losses	When account remains outstanding for more than 16 calendar days from the date of contra transaction.
Overdue purchase contracts	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards (discretionary financing)

Bad debts are written off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

J Property and equipment and depreciation

Freehold land is not depreciated as it has an infinite life. Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years whichever is shorter
Buildings on leasehold land	Over the remaining period of the lease or 50 years whichever is shorter
Buildings on freehold land	50 years
Office and computer equipment	3 - 10 years
Furniture and fittings	3 - 10 years
Renovations	5 - 10 years
Motor vehicles	4 - 5 years

2 Summary of significant accounting policies (continued)

J Property and equipment and depreciation (continued)

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Property and equipment are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of the asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the profit or loss. Refer to Note M on the impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in "non-interest income" in profit or loss.

K Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years. Computer software classified as intangible assets are stated at cost less accumulated amortisation and accumulated impairment loss, if any.

(b) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each CGU represents the lowest level at which the goodwill is mentioned and is not larger than a reportable business segment. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include allocated goodwill.

2 Summary of significant accounting policies (continued)

L Lease

(a) Finance lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Bank are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to profit or loss.

(b) Operating lease

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statements on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

M Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 Summary of significant accounting policies (continued)

N Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that its relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of financial investments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2 Summary of significant accounting policies (continued)

O Currency translations

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's and the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the financial asset and other changes in the carrying amount of the financial asset. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments available-for-sale are included in the fair value reserve in equity.

P Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the profit or loss.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profit or loss immediately.

2 Summary of significant accounting policies (continued)

Q Employee benefits

Short term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pays fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group and the Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

Share-based compensation

The Group operates a cash-settled, share-based compensation plan for the employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in liability.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group and the Bank measure the fair value of the liability and at the date of settlement, with any changes in fair value recognised in profit or loss. The Group and the Bank revise its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to liability.

2 Summary of significant accounting policies (continued)

R Provision

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

(i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

S Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

2 Summary of significant accounting policies (continued)

T Cash and cash equivalents

Cash and cash equivalents are cash and short terms funds held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

U Share capital

(a) Classification

Ordinary shares and redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares and redeemable preference shares are recognised as a liability when the shareholders' right to receive the dividend is established.

V Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statement of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

2 Summary of significant accounting policies (continued)

W Contingent assets and liabilities

The Group and the Bank do not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

X Transaction with owners

Transaction with owners in their capacity as owners are recognised in statement of changes in equity and are presented separately from non-owner changes in equity,

3 General information

The principal activities of the Bank are investment banking, stockbroking business and related financial services.

The principal activities of the subsidiary companies are stated in Note 14 to the financial statements.

The immediate holding and ultimate holding companies are HLCB and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLCB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office of the Bank is Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

4 Cash and short-term funds

	The Group			The Bank		
	30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	**68,724**	6,368	11,482	**67,157**	5,949	11,296
Money at call and deposit placements maturing within one month	**487,545**	63,744	44,511	**487,545**	63,744	44,413
	556,269	70,112	55,993	**554,702**	69,693	55,709

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM15,482,000 (30.06.2012: RM6,093,000, 1.1.2011 : RM8,159,000).

5 Clients' and brokers' balances

Clients' and brokers' balances represent amounts receivable from outstanding purchase contracts in respect of the Group and the Bank's stockbroking business entered on behalf of clients, amount due from brokers and contra losses.

	The Group and The Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Performing accounts	**147,145**	20,169	34,091
Impaired accounts	**805**	185	155
	147,950	20,354	34,246
Less: Allowance for bad and doubtful debts			
- individual assessment allowance	**(378)**	(132)	(125)
- collective assessment allowance	**(33)**	(133)	(7)
	147,539	20,089	34,114

5 Clients' and brokers' balances (continued)

	The Group and The Bank	
	30.06.2013	30.06.2012
	RM'000	RM'000
Movements of impaired accounts are as follows:		
At 1 July/1 January	**185**	155
Impaired during the financial year/period	**-**	32
Vested from Promilia Berhad (formerly known as Hong Leong Investment Berhad) ("Promilia")	**735**	-
Amount written back during the financial year/period	**(115)**	(2)
At 30 June	**805**	185

Movements in the allowance for losses on clients' and brokers' balances are as follows:

Individual assessment allowance		
At 1 July/1 January	**132**	125
Vested from Promilia	**260**	-
Allowance made during the financial year/period	**138**	142
Allowance written back during the financial year/period	**(152)**	(135)
At 30 June	**378**	132
Collective assessment allowance		
At 1 July/1 January		
- as previously reported	**-**	-
- effect of full adoption of MFRS 139	**133**	7
At 1 July/1 January, as restated	**133**	7
Vested from Promilia	**17**	-
Amount (written back)/made during the financial year/period	**(117)**	126
At 30 June	**33**	133

6 Deposits and placements with banks and other financial institutions

	The Group			The Bank		
	30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Licensed banks	**275,188**	271	162	**274,917**	-	-
Licensed investment banks	**50,013**	-	-	**50,013**	-	-
	325,201	271	162	**324,930**	-	-

7 Financial assets at fair value through profit or loss

	The Group and The Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Financial assets held-for-trading			
Money market instruments			
Malaysian Government Securities	**20,107**	-	-
Negotiable instruments of deposits	**150,372**	-	-
Bankers' acceptance	**219,476**	-	-
	389,955	-	-
Quoted securities			
In Malaysia:			
Shares	**9,570**	-	-
Outside Malaysia:			
Foreign currency bonds	**63,074**	-	-
	72,644	-	-
Unquoted securities			
Private and Islamic debt securities	**194,599**	-	-
	657,198	-	-
Financial assets designated at fair value through profit or loss			
Quoted securities			
In Malaysia:			
Shares	**5,775**	-	-
	662,973	-	-

8 Financial investments available-for-sale

	The Group and The Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Money market instruments			
Malaysian Government Securities	**20,205**	-	-
Malaysian Government Investment Issues	**59,669**	-	-
Cagamas bonds	**5,122**	-	-
	84,996	-	-
Quoted securities			
Outside Malaysia:			
Foreign currency bonds	**86,476**	-	-
Unquoted securities			
Shares	**686**	-	738
Private and Islamic debt securities	**92,480**	-	50,142
	93,166	-	50,880
Other investments	-	-	80
	264,638	-	50,960

9 Financial investments held-to-maturity

	The Group and The Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Money market instruments			
Malaysian Government Investment Issues	**5,107**	-	-
Cagamas bonds	**10,161**	-	-
	15,268	-	-
Quoted securities			
Outside Malaysia:			
Foreign currency bonds	**192,912**	-	-
Unquoted securities			
Private and Islamic debt securities	**45,731**	-	-
	253,911	-	-

10 Loans and advances

	The Group and The Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Term loan financing	**33,533**	-	-
Share margin financing	**139,049**	67,141	81,674
Revolving credit	**60**	-	-
Staff loans	**458**	734	4,560
Other loans	**2,074**	1,855	-
Gross loans and advances	**175,174**	69,730	86,234
Less:			
Allowance for losses on loans and advances:			
- individual assessment allowance	**(252)**	-	-
- collective assessment allowance	**(738)**	(160)	(172)
Total net loans and advances	**174,184**	69,570	86,062

(i) The maturity structure of loans and advances is as follows:

Maturing within one year	**172,658**	67,181	81,750
One year to three years	**149**	338	518
Three years to five years	**119**	52	1,069
Over five years	**2,248**	2,159	2,897
	175,174	69,730	86,234

10 Loans and advances (continued)

		The Group and The Bank		
		30.06.2013	30.06.2012	01.01.2011
		RM'000	RM'000	RM'000
(ii)	The loans and advances are disbursed to the following type of customers:			
	Domestic business enterprises			
	- small and medium enterprises	**26,600**	-	-
	- others	**52,708**	25,402	28,756
	Individuals	**95,563**	40,783	52,222
	Foreign entities	**303**	3,545	5,256
	Gross loans and advances	**175,174**	69,730	86,234
(iii)	Loans and advances analysed by interest rate sensitivity are as follows:			
	Variable rate	**123,482**	31,326	-
	Fixed rate			
	- staff housing loans	**388**	492	2,878
	- other fixed rate loans	**51,237**	37,722	82,147
	Non-interest bearing	**67**	190	1,209
	Gross loans and advances	**175,174**	69,730	86,234
(iv)	Loans and advances analysed by their economic purposes are as follows:			
	Purchase of securities	**139,049**	67,141	81,674
	Purchase of transport vehicles	**235**	633	1,645
	Purchase of landed properties	**2,298**	1,956	2,878
	Working capital	**33,592**	-	-
	Personal use	-	-	37
	Gross loans and advances	**175,174**	69,730	86,234
(v)	Loans and advances analysed by geographical distribution are as follows:			
	Malaysia	**175,174**	69,730	86,234

10 Loans and advances (continued)

		The Group and The Bank	
		30.06.2013	30.06.2012
		RM'000	RM'000
(vi)	Movement in the impaired loans and advances are as follows:		
	At 1 July/1 January	**-**	-
	Vested from Promilia	**196**	-
	Impaired during the financial year/period	**1,123**	-
	Amount written back during the financial year/period	**(196)**	-
	At 30 June	**1,123**	-
	% of impaired loans to total loans and advances net of individual assessment allowance	**0.6%**	0.0%
(vii)	Movement in the allowance for loss on loans and advances are as follows:		
	Individual assessment allowance		
	At 1 July/1 January	**-**	-
	Allowance made during the financial year/period	**252**	-
	At 30 June	**252**	-
	Collective assessment allowance		
	At 1 July/1 January		
	- as previously reported	**1,086**	1,294
	- effect of full adoption of MFRS 139	**(926)**	(1,122)
	At 1 July/1 January, as restated	**160**	172
	Vested from Promilia	**745**	-
	Allowance written back during the financial year/period	**(167)**	(12)
	At 30 June	**738**	160

		The Group and The Bank		
		30.06.2013	30.06.2012	01.01.2011
		RM'000	RM'000	RM'000
(viii)	Impaired loans and advances analysed by their economic purposes are as follows:			
	Purchase of transport vehicles	**156**	-	-
	Purchase of landed properties	**967**	-	-
		1,123	-	-

10 Loans and advances (continued)

(ix) Impaired loans and advances analysed by geographical distribution are as follows:

	The Group and The Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Malaysia	**1,123**	-	-

11 Other assets

	The Group			The Bank		
	30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Tax recoverable	**5**	17	73	**-**	-	47
Amount due from holding company	**793**	-	-	**793**	-	-
Amount due from related companies	**352**	2,785	-	**352**	2,785	-
Amount due from subsidiary companies	**-**	-	-	**3**	73	-
Deposits	**3,493**	627	661	**3,493**	627	656
Prepayments	**571**	126	293	**571**	126	293
Other receivables	**7,856**	9,330	6,329	**7,855**	9,330	6,334
	13,070	12,885	7,356	**13,067**	12,941	7,330

12 Statutory deposits with Bank Negara Malaysia ("BNM")

The non-interest bearing statutory deposits are maintained by the Bank with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount is determined at set percentages of total eligible liabilities.

13 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

		The Group and The Bank		
	Note	**30.06.2013**	30.06.2012	01.01.2011
		RM'000	RM'000	RM'000
Deferred tax assets	(a)	**63,172**	35,562	35,760
Deferred tax liabilities	(b)	**(1,194)**	(291)	(443)
		61,978	35,271	35,317

13 Deferred tax assets/(liabilities) (continued)

	The Group and The Bank	
	30.06.2013	30.06.2012
	RM'000	RM'000
At 1 July/1 January		
- as previously stated	**35,469**	35,317
- effect of full adoption of MFRS 139	**(198)**	-
At 1 July/1 January, as restated	**35,271**	35,317
Credited/(charged) to income statements (Note 32)	**47,804**	(35,667)
Credited to equity	**3,364**	152
Reversal against taxation payable	**(19,962)**	-
Transaction with owner:		
- recognition of deferred tax (i)	**-**	35,469
Vested from Promilia	**(4,499)**	-
At 30 June	**61,978**	35,271
Deferred tax assets		
- settled more than 12 months	**39,310**	19,915
- settled within 12 months	**23,862**	15,647
	63,172	35,562
Deferred tax liabilities		
- settled more than 12 months	**(834)**	-
- settled within 12 months	**(360)**	(291)
	(1,194)	(291)
	61,978	35,271

(i) During the last financial period ended 30 June 2012, the Bank has written-off deferred tax assets of RM35,667,000 to profit and loss as it is not probable that there are sufficient taxable profits will be available against which the deferred tax assets can be utilised.

However, upon completion of the acquisition of the Bank by Hong Leong Capital Berhad ("HLCB") on 1 June 2012, HLCB will rationalise the investment banking business within HLCB Group by transferring the entire assets, liabilities, activity, business of its wholly owned subsidiary, Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia") to the Bank. With the impending business rationalisation from Promilia, the Bank has recognised RM35,469,000 of deferred tax asset as at 30 June 2012. This has been accounted as transaction with owner - equity contribution and is recognised against retained earnings to reflect the substance of the transaction.

13 Deferred tax assets/(liabilities) (continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

(a) Deferred tax assets

The Group and the Bank	**Note**	**Collective assessment allowance RM'000**	**Untilised tax credits RM'000**	**Provisions RM'000**	**Total RM'000**
At 1 July 2012					
- as previously stated		**335**	**35,060**	**365**	**35,760**
- effect of full adoption of MFRS 139		**(198)**	**-**	**-**	**(198)**
At 1 July 2012, as restated		**137**	**35,060**	**365**	**35,562**
Credited/(charged) to income statements		**(137)**	**39,774**	**7,935**	**47,572**
Reversal against taxation payable		**-**	**(19,962)**	**-**	**(19,962)**
At 30 June 2013		**-**	**54,872**	**8,300**	**63,172**
At 1 January 2011					
- as previously stated		335	35,060	365	35,760
- effect of full adoption of MFRS 139		-	-	-	-
At 1 January 2011, as restated		335	35,060	365	35,760
Charged to income statements		(533)	(35,060)	(365)	(35,958)
Transaction with owner:					
- recognition of deferred tax		335	35,060	365	35,760
At 30 June 2012		137	35,060	365	35,562

(b) Deferred tax liabilities

The Group and the Bank	**Property and equipment RM'000**	**Financial investments available-for-sale RM'000**	**Other temporary differences RM'000**	**Total RM'000**
At 1 July 2012	**-**	**-**	**291**	**291**
Vested from Promilia	**817**	**3,682**	**-**	**4,499**
Credited/(charged) to income statements	**59**		**(291)**	**(232)**
Credited to equity	**-**	**(3,364)**	**-**	**(3,364)**
At 30 June 2013	**876**	**318**	**-**	**1,194**
At 1 January 2011	-	152	291	443
Charged to income statements	-	-	(291)	(291)
Credited to equity	-	(152)	-	(152)
Transaction with owner:				
- recognition of deferred tax	-	-	291	291
At 30 June 2012	-	-	291	291

Deferred tax assets have not been recognised on the following as it is not probable that the Group and the Bank will generate sufficient future taxable profits available against which the deductible temporary differences can be utilised:

	The Group and the Bank		
	30.06.2013 RM'000	30.06.2012 RM'000	01.01.2011 RM'000
Unused tax credits carried forward	204,825	244,430	243,498

14 Investment in subsidiary companies

	The Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Subsidiary companies:			
Unquoted shares, at cost	**1,455**	220	220

The subsidiary companies of the Bank are as follows:

Name of company	Country of incorporation	Effective equity interest 30.06.2013 %	30.06.2012 %	01.01.2011 %	Principal activities
ECS Jaya (1969) Sdn Bhd	Malaysia	100	100	100	Dormant
MIMB Nominees (Tempatan) Sendirian Berhad	Malaysia	100	100	100	In member's voluntary winding-up
MIMB Nominees (Asing) Sendirian Berhad	Malaysia	100	100	100	In member's voluntary winding-up
HLIB Nominees (Tempatan) Sdn Bhd (formerly known as M.I.T. Nominees (Tempatan) Sdn Bhd)	Malaysia	100	100	100	Nominee and custodian services for Malaysia clients
HLIB Nominees (Asing) Sdn Bhd (formerly known as F.I.T. Nominees (Asing) Sdn Bhd)	Malaysia	100	100	100	Nominee and custodian services for foreign clients
SSSB Jaya (1987) Sdn Bhd and its subsidiaries	Malaysia	100	100	100	In creditor's voluntary liquidation
SSSB Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	100	In member's voluntary liquidation
SSSB Nominees (Asing) Sdn Bhd	Malaysia	100	100	100	In member's voluntary liquidation
HLG Nominee (Tempatan) Sdn Bhd [1]	Malaysia	100	-	-	Nominee and custodian services for Malaysia clients
HLG Nominee (Asing) Sdn Bhd [1]	Malaysia	100	-	-	Nominee and custodian services for foreign clients
RC Nominees (Asing) Sdn Bhd [1]	Malaysia	100	-	-	In member's voluntary winding-up
RC Nominees (Tempatan) Sdn Bhd [1]	Malaysia	100	-	-	In member's voluntary winding-up
RC Research Sdn Bhd [1]	Malaysia	100	-	-	In member's voluntary winding-up
Unincorporated trust for ESOS [2]	Malaysia	-	-	-	Special purpose vehicle for ESOS purpose

[1] The subsidiary companies was vested over on 28 September 2012.
[2] Deemed subsidiary pursuant to IC 112 - Consolidation: Special Purpose Entities.

15 Property and equipment

The Group and the Bank	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 July 2012	-	-	-	1,099	210	3,196	-	4,505
Vested from Promilia	350	780	804	1,182	528	2,413	209	6,266
Additions	-	-	-	641	294	170	-	1,105
Write-offs	-	-	-	-	-	(30)	-	(30)
At 30 June 2013	350	780	804	2,922	1,032	5,749	209	11,846
Accumulated depreciation								
At 1 July 2012	-	-	-	781	73	2,670	-	3,524
Charge for the financial year	-	-	12	702	207	704	48	1,673
Write-offs	-	-	-	-	-	(18)	-	(18)
At 30 June 2013	-	-	12	1,483	280	3,356	48	5,179
Net book value								
At 30 June 2013	350	780	792	1,439	752	2,393	161	6,667

15 Property and equipment (continued)

The Group and the Bank	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2011	-	-	-	4,256	956	3,196	822	9,230
Additions	-	-	-	1,349	53	-	-	1,402
Disposals	-	-	-	(3,496)	-	-	(822)	(4,318)
Write-offs	-	-	-	(1,019)	(745)	-	-	(1,764)
Reclassification (note 16)	-	-	-	9	(54)	-	-	(45)
At 30 June 2012	-	-	-	1,099	210	3,196	-	4,505
Accumulated depreciation								
At 1 January 2011	-	-	-	3,023	538	2,252	779	6,592
Charge for the financial year	-	-	-	812	92	418	14	1,336
Disposals	-	-	-	(2,436)	-	-	(793)	(3,229)
Write-offs	-	-	-	(618)	(557)	-	-	(1,175)
At 30 June 2012	-	-	-	781	73	2,670	-	3,524
Net book value								
At 30 June 2012	-	-	-	318	137	526	-	981

16 Intangible assets - Computer software

	The Group and the Bank	
	30.06.2013	30.06.2012
	RM'000	RM'000
Cost		
At 1 July/1 January	**61**	574
Vested from Promilia	**908**	-
Additions	**550**	1,022
Reclassification (Note 15)	**-**	45
Write-offs	**-**	(1,580)
At 30 June	**1,519**	61
Amortisation		
At 1 July/1 January	**38**	265
Charge for the financial year	**427**	414
Write-offs	**-**	(641)
At 30 June	**465**	38
Net book value	**1,054**	23

17 Goodwill

	The Group		The Bank	
	30.06.2013	30.06.2012	**30.06.2013**	30.06.2012
	RM'000	RM'000	**RM'000**	RM'000
Cost				
At 1 July/1 January	**-**	86,610	**-**	66,663
Arising from vesting of assets and liabilities from Promilia	**28,986**	-	**28,986**	-
Impairment made during the year	**-**	(86,610)	**-**	(66,663)
At 30 June	**28,986**	-	**28,986**	-

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating units ("CGUs"):

	The Group			The Bank		
	30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
CGU						
Investment banking and stockbroking	**28,986**	-	86,610	**28,986**	-	66,663

17 Goodwill (continued)

Impairment test on goodwill

The recoverable amount of CGUs have been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 4% (30.06.2012: 4%) and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

The cash flows projections are derived based on a number of key factors including the past performance and management's expectations on the market development. The following are the discount rates used in determining the recoverable amount of each CGUs:

	The Group and the Bank
	30.06.2013
Investment banking and stockbroking	**16.0%**

For the current financial year, impairment was not required for goodwill arising from investment banking and stock broking segment. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than carrying amount.

18 Deposit from customers

	The Group and the Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Fixed deposits	**470,169**	-	-
(i) The maturity structure of fixed deposits is as follows:			
Due within six months	**470,169**	-	-
(ii) The deposits are sourced from the following customers:			
Government and statutory bodies	**429,322**	-	-
Business enterprises	**40,847**	-	-
	470,169	-	-

19 Deposits and placements of banks and other financial institutions

	The Group and the Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Bank Negara Malaysia	**316,207**	-	-
Licensed banks	**128,060**	-	40,006
Licensed investment banks	**105,866**	-	-
Other financial institutions	**992,842**	-	-
	1,542,975	-	40,006

20 Other liabilities

	The Group			The Bank		
	30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Amount due to subsidiary companies (a)	-	-	-	-	-	32
Amount due to holding company (a)	-	-	96	-	-	96
Remisiers' trust deposits	**15,482**	6,093	8,159	**15,482**	6,093	8,159
ESOS liabilities	**8,428**	-	-	**8,428**	-	-
Other payables and accrued liabilities	**68,059**	7,509	12,372	**68,039**	7,312	12,298
Provision for commitments and contingencies	-	9,039	-	-	9,039	-
Post employment benefits obligation:						
- defined contribution plan	**296**	-	-	**296**	-	-
	92,265	22,641	20,627	**92,245**	22,444	20,585

(a) The amounts due to subsidiary companies and holding company are unsecured, interest free and repayable on demand.

21 Derivative financial assets/(liabilities)

The table below shows the Group's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the reporting date are analysed below:

	The Group and the Bank		
30.06.2013	**Contract or underlying principal amount RM'000**	**Year-end positive fair value RM'000**	**Year-end negative fair value RM'000**
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)**

30.06.2012

Nil

01.01.2011

Nil

22 Share capital

	The Group and the Bank		
	30.06.2013 RM'000	30.06.2012 RM'000	01.01.2011 RM'000
Authorised:			
Ordinary shares of RM1.00 each			
At 1 July/1 January	**500,000**	500,000	500,000
Increased during the year	**100,000**	-	-
At 30 June/31 December	**600,000**	500,000	500,000
Issued and fully paid capital:			
Ordinary shares of RM1.00 each			
At 1 July/1 January	**75,000**	75,000	75,000
Issued during the year	**90,000**	-	-
At 30 June/31 December	**165,000**	75,000	75,000

23 Redeemable preference shares

	The Group and the Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Authorised:			
Non-cumulative redeemable preference shares of RM0.01 each			
At 1 July/1 January	**-**	-	-
Increased during the year	**20,000**	-	-
At 30 June/31 December	**20,000**	-	-
Issued and fully paid capital:			
Non-cumulative redeemable preference shares of RM0.01 each			
At 1 July/1 January	**-**	-	-
Issued during the year	**1,631**	-	-
At 30 June/31 December	**1,631**	-	-

The main features of the RPS are as follows:

(a) The RPS have right to dividends at the discretion of the Directors of the Bank, subject to BNM's approval pursuant to Section 51 of Financial Services Act 2013.

(b) The RPS rank pari passu in all respects among themselves.

(c) The RPS will not be convertible into ordinary shares.

(d) The RPS have no fixed maturity date and can be redeemed at any time by giving 7 days notice in writing.

(e) The RPS will not be listed on any stock exchange.

24 Reserves

	The Group			The Bank		
	30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Share premium	**87,950**	87,950	87,950	**87,950**	87,950	87,950
Statutory reserve (a)	**153,097**	83,385	83,385	**153,097**	83,385	83,385
Fair value reserve (b)	**954**	-	455	**954**	-	455
Retained profits (c)	**(14,875)**	(70,801)	30,989	**(15,241)**	(71,016)	10,832
	227,126	100,534	202,779	**226,760**	100,319	182,622

(a) The statutory reserve is maintained in compliance with Section 47 of Financial Services Act 2013 and is not distributable as cash dividend.

24 Reserves (continued)

(b) Fair value reserve arises from a change in the fair value of financial investments available-for-sale. The gains or losses are transferred to the profit or loss upon de-recognition or impairment of such financial investments.

(c) A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on an entity's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Entities with tax credit balances under Section 108 of the Income Tax Act, 1967 are given an option to elect to move to a single tier system immediately or allowed to use the tax credit balances for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Bank has elected to use its tax credit balances under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The tax credit balances of the Bank as at 31 December 2008 will be frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6-year period.

Subject to agreement with the Inland Revenue Board, the Bank has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the payment of dividends out of its entire retained profits as at 30 June 2013.

25 Interest income

	The Group		**The Bank**	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Loans and advances	**12,343**	9,861	**12,343**	9,861
Money at call and deposit placements with financial institutions	**9,305**	1,191	**9,305**	1,187
Financial assets at fair value through profit or loss	**21,225**	-	**21,225**	-
Financial investments available-for-sale	**4,140**	6,029	**4,140**	6,029
Financial investments held-to-maturity	**8,782**	-	**8,782**	-
Derivative financial instruments	**2,417**	-	**2,417**	-
Others	**1,050**	1,680	**1,050**	1,680
	59,262	18,761	**59,262**	18,757

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26 Interest expense

	The Group and the Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000
Deposits and placements of banks and other financial institutions	**6,763**	2,740
Deposits from customers	**25,277**	-
Derivative financial instruments	**3,255**	-
Others	**4**	1,555
	35,299	4,295

27 Non-interest income

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Fee income				
Fee on loans and advances	**1,108**	-	**1,108**	-
Arranger fees	**9,277**	-	**9,277**	-
Guarantee fees	**647**	-	**647**	-
Placement fees	**25,041**	-	**25,041**	-
Corporate advisory fees	**5,675**	7,524	**5,675**	7,524
Underwriting commissions	**855**	548	**855**	542
Brokerage income	**33,724**	11,793	**33,724**	11,793
Commissions from future contracts	**878**	-	**878**	-
Other fee income	**15,106**	258	**14,859**	257
	92,311	20,123	**92,064**	20,116
Net income from securities				
Net realised gain/(loss) arising from sale of:				
- Financial assets at fair value through profit or loss	**1,859**	93	**1,859**	93
- Financial investments available-for-sale	**15,724**	3,413	**15,724**	3,413
- Derivative financial instruments	**(12,748)**	-	**(12,748)**	-
Net gain/(loss) on revaluation of:				
- Financial assets at fair value through profit or loss	**(151)**	-	**(151)**	-
- Derivative financial instruments	**9,185**	-	**9,185**	-
Dividend income from:				
- Financial assets at fair value through profit or loss	**553**	-	**553**	-
- Financial investments available-for-sale	**118**	-	**118**	-
	14,540	3,506	**14,540**	3,506

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27 Non-interest income (continued)

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Other income				
Gain on disposal of property and equipment	**-**	200	**-**	200
Foreign exchange gain	**17,920**	-	**17,920**	-
Other non-operating income	**210**	836	**210**	836
	18,130	1,036	**18,130**	1,036
Total non-interest income	**124,981**	24,665	**124,734**	24,658

28 Overhead expenses

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Personnel costs				
Salaries, allowances and bonuses	**46,601**	15,266	**46,530**	15,266
Voluntary separation scheme	**-**	8,833	**-**	8,833
Option charge arising from ESOS	**8,141**	-	**8,141**	-
Others	**5,846**	5,045	**5,829**	5,045
	60,588	29,144	**60,500**	29,144
Establishment costs				
Depreciation of property and equipment	**1,673**	1,336	**1,673**	1,336
Amortisation of intangible assets	**427**	414	**427**	414
Rental expenses	**4,344**	2,732	**4,320**	2,732
Information technology expenses	**3,990**	-	**3,990**	-
Others	**2,075**	2,681	**2,049**	2,681
	12,509	7,163	**12,459**	7,163
Marketing expenses				
Advertisement and publicity	**77**	160	**77**	160
Entertainment and business improvement	**839**	-	**839**	-
Others	**244**	776	**244**	776
	1,160	936	**1,160**	936

28 Overhead expenses (continued)

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Administration and general expenses				
Management fees	**2,197**	-	**2,197**	-
Teletransmission expenses	**2,244**	-	**2,244**	-
Auditors' remuneration				
- Statutory audit	**299**	175	**282**	170
- Tax compliance fee				
- current year	**24**	124	**24**	124
- Other fees	**21**	15	**21**	15
Legal and professional fees	**3,414**	250	**3,344**	247
Property and equipment written off	**12**	589	**12**	589
Intangible assets written off	**-**	939	**-**	939
Others	**3,877**	6,720	**3,868**	6,724
	12,088	8,812	**11,992**	8,808
Total overhead expenses	**86,345**	46,055	**86,111**	46,051

Included in the overhead expenses of the Group and the Bank are Directors' remuneration totalling RM4,881,000 (2012: RM847,000).

29 Allowance for/(writeback of) impairment losses on loans and advances and other losses

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Allowance for/(writeback of) losses on impaired loans and advances:				
(a) Individual assessment allowance				
- made during the financial year/period	**252**	-	**252**	-
(b) Collective assessment allowance				
- written back during the financial year/period	**(167)**	(12)	**(167)**	(12)
	85	(12)	**85**	(12)
Bad debts on loans and advance				
- written off	**2**	-	**2**	-
- recovered	**-**	(102)	**-**	(102)
	2	(102)	**2**	(102)

29 Allowance for/(writeback of) losses on loans and advances and other losses (continued)

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
Allowance for losses on clients' and brokers' balances:				
(a) Individual assessment allowance				
- made during the financial year/period	**138**	142	**138**	142
- written back during the financial year/period	**(152)**	(135)	**(152)**	(135)
(b) Collective assessment allowance				
- (written back)/made during the financial year/period	**(117)**	126	**(117)**	126
	(131)	133	**(131)**	133
Bad debts on clients' and brokers' balances				
- recovered	**(309)**	-	**(309)**	-
Allowance for losses on other debtors:				
(a) Individual assessment allowance				
- made during the period	**415**	62	**415**	62
- written-back during the period	**(70)**	-	**(70)**	-
	345	62	**345**	62
Bad debts on other assets				
- written off	**20**	-	**61**	-
Allowance for impairment on subsidiary	**-**	-	**100**	-
	12	81	**153**	81

30 Allowance for/(writeback of) impairment losses on securities

	The Group and the Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000
Financial investments available-for-sale	**1,759**	(1,737)

31 Directors' remuneration

Forms of remuneration in aggregate for all Directors for the year as follows:

	The Group and the Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000
Managing Director/Chief Executive Officer:		
Ms Lee Jim Leng (Appointed on 29.09.2012)		
- salary and other remunerations	**4,492**	-
- benefits-in-kind	**5**	-
	4,497	-
Non-Executive Directors - Fees:		
YBhg Dato' Wee Hoe Soon @ Gooi Hoe Soon	**77**	217
Dr Zaha Rina binti Zahari (Resigned on 29.09.2012)	**26**	142
Ms Lim Lean See (Resigned on 29.09.2012)	**26**	124
Datuk Yvonne Chia (Resigned on 29.09.2012)	**-**	103
Mr Rin Nan Lun (Resigned on 20.06.2011)	-	55
Dato' Dr. Mohd Shahari bin Ahmad Jabar (Resigned on 01.08.2011)	-	89
Mr Jeroen Nieuwkoop (Retired on 30.06.2011)	-	57
Mr Albert Saychuan Cheok (Resigned on 20.06.2011)	-	60
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (Appointed on 29.09.2012)	**57**	-
YBhg Tan Sri A. Razak bin Ramli (Appointed on 29.09.2012)	**78**	-
Mr Martin Giles Manen (Appointed on 29.09.2012)	**71**	-
YBhg Dato' Mohzani bin Abdul Wahab (Appointed on 29.09.2012)	**49**	-
Mr Choong Yee How (Appointed on 29.09.2012)	**-**	-
	384	847
	4,881	847

The movement and details of the Directors of the Bank in office and interests in shares and share options are reported in the Directors' Report.

32 Taxation

	Note	The Group 12 month period ended 30.06.2013 RM'000	The Group 18 month period ended 30.06.2012 RM'000	The Bank 12 month period ended 30.06.2013 RM'000	The Bank 18 month period ended 30.06.2012 RM'000
Malaysian income tax:					
- current financial year's/period's charge		**19,040**	-	**19,037**	-
- underprovision in prior financial years/periods		**-**	760	**-**	758
		19,040	760	**19,037**	758
Deferred taxation					
- relating to origination and reversal of temporary differences	13	**(47,804)**	35,667	**(47,804)**	35,667
		(47,804)	35,667	**(47,804)**	35,667
		(28,764)	36,427	**(28,767)**	36,425

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Bank is as follows:

	The Group 12 month period ended 30.06.2013 RM'000	The Group 18 month period ended 30.06.2012 RM'000	The Bank 12 month period ended 30.06.2013 RM'000	The Bank 18 month period ended 30.06.2012 RM'000
Profit/(loss) before taxation	**60,828**	(100,832)	**60,674**	(80,892)
Tax calculated at a rate of 25% (2012: 25%)	**15,207**	(25,208)	**15,169**	(20,223)
Tax effects of:				
- Income not subject to tax	**(2,915)**	(50)	**(2,894)**	(50)
- Expenses not deductible for tax purposes	**2,935**	25,258	**2,949**	20,273
- Under provision in prior financial years/periods	**-**	760	**-**	758
- Reversal of temporary differences previously not recognised	**(43,991)**	-	**(43,991)**	-
- Write off of deferred tax assets	**-**	35,667	**-**	35,667
Tax (income)/expense for the financial year/period	**(28,764)**	36,427	**(28,767)**	36,425

33 Earnings per share

	The Group		The Bank	
	12 month period ended 30.06.2013 RM'000	18 month period ended 30.06.2012 RM'000	**12 month period ended 30.06.2013 RM'000**	18 month period ended 30.06.2012 RM'000
(a) Basic earnings per share				
Weighted average number of number of ordinary shares in issue	**143,055**	75,000	**143,055**	75,000
Net profit attributable to equity holder of the Bank	**89,592**	(137,259)	**89,441**	(117,317)
Basic earnings per share (sen)	**62.6**	(183.0)	**62.5**	(156.4)

(b) Diluted earnings per share

There is no diluted earnings per share as the Group and the Bank have no category of dilutive potential ordinary shares outstanding as at 30 June 2013 and 30 June 2012.

34 Significant related party transaction

(a) Related parties and relationships

The related parties and their relationships with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Financial Group Berhad	Penultimate holding company
HLCB	Immediate holding company
Subsidiary companies of Hong Leong Financial Group Berhad as disclosed in its financial statements	Subsidiary companies of penultimate holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Hume Industries (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Promino Sdn Bhd (formerly known as EON Bank Berhad)	Former parent company
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and key management personnel of the Bank who are in charge of the Bank
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

34 Significant related party transaction (continued)

(b) Related parties transactions

Transactions with related parties are as follows:

The Group 30.06.2013	**Parent company RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income			
Interest income	166	9,763	-
Non Interest income	-	(1,979)	-
Brokerage income	-	2,203	228
Corporate advisory fee	30	90	-
Arranger fee	-	1,000	-
Placement fee	-	525	-
Other fee	57	125	-
	253	11,727	228
Expenditure			
Interest Expense	-	11,874	-
Rental	-	2,398	-
Management fees	414	1,608	-
Other miscellaneuos	-	4,193	-
	414	20,073	-
Amounts due from:			
Cash and short term funds	-	127,527	-
Deposits and placements with banks and other financial institutions	-	270	-
Financial assets at fair value through profit or loss	-	59,652	-
Financial investments held-to-maturity	-	48,471	-
Derivative financial assets	12,156	1,535	-
Clients’ and brokers’ balances	-	-	70,939
Other assets	792	181	-
	12,948	237,636	70,939
Amounts due to:			
Deposits and placements of banks and other financial institutions	-	258,717	-
Derivative financial liabilities	-	912	-
	-	259,629	-

34 Significant related party transaction (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows (continued):

	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
The Group			
30.06.2012			
Income			
Interest on deposits & placement	-	601	-
Interest on staff loans	-	11	-
	-	612	-
Expenditure			
Interest on deposits & placement	-	2,740	-
Rental	-	2,146	-
Reimbursement of expenses	-	3,267	-
	-	8,153	-
Amounts due from:			
Money at call and deposit placements	-	54,160	-
Proceeds from disposal of property and equipment	-	1,057	-
Proceeds from disposal of Collateralised Loan Obligation	-	2,368	-
Others	-	1,728	-
	-	59,313	-

The Group **01.01.2011**	Former parent company RM'000	Key management personnel RM'000
Amount due from:		
Money at call and deposit placements	63,276	-
Staff loans	-	844
	63,276	844
Amount due to:		
Deposits and placements of banks and other financial institutions	40,006	-
Others	96	-
	40,102	-

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34 Significant related party transaction (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows (continued):

The Bank 30.06.2013	**Parent company RM'000**	**Subsidiaries RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest income	166	-	9,763	-
Non Interest income	-	-	(1,979)	-
Brokerage income	-	-	2,203	228
Corporate advisory fee	30	-	90	-
Arranger fee	-	-	1,000	-
Placement fee	-	-	525	-
Other fee	57	-	125	-
	253	-	11,727	228
Expenditure				
Interest Expense	-	-	11,874	-
Rental	-	-	2,398	-
Management fees	414	-	1,608	-
Other miscellaneuos	-	-	4,170	-
	414	-	20,050	-
Amounts due from:				
Cash and short term funds	-	-	126,553	-
Financial assets at fair value through profit or loss	-	-	59,652	-
Financial investments held-to-maturity	-	-	48,471	-
Derivative financial assets	12,156	-	1,535	-
Clients' and brokers' balances	-	-	-	70,939
Investment in Subsidiaries	-	1,454	-	-
Other assets	792	3	181	-
	12,948	1,457	236,392	70,939
Amounts due to:				
Deposits and placements of banks and other financial institutions	-	-	258,717	-
Derivative financial liabilities	-	-	912	-
Other Liabilities	-	195	-	-
	-	195	259,629	-

34 Significant related party transaction (continued)

(b) Related parties transactions (continued)

The Bank 30.06.2012	**Parent company RM'000**	**Subsidiaries RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest on deposits & placements	-	-	601	-
Interest on staff loans	-	-	11	-
	-	-	612	-
Expenditure				
Interest on deposits & placements	-	-	2,740	-
Rental	-	-	2,146	-
Reimbursement of expenses	-	-	3,267	-
	-	-	8,153	-
Amounts due from:				
Money at call and deposit placements	-	-	54,160	-
Proceeds from disposal of property and equipment	-	-	1,057	-
Proceeds from disposal of Collateralised Loan Obligation	-	-	2,368	-
Others	-	-	1,728	-
	-	-	59,313	-

The Bank 01.01.2011	**Former parent company RM'000**	**Key management personnel RM'000**
Amount due from:		
Money at call and deposit placements	62,833	-
Staff loans	844	844
Amount due from subsidiary companies	32	-
	63,709	844
Amount due to:		
Deposits and placements of banks and other financial institutions	40,006	-
Others	96	-
	40,102	-

34 Significant related party transaction (continued)

(c) Key management personnel

	The Group and the Bank	
	30.06.2013	30.06.2012
	RM'000	RM'000
Salaries and other short-term employee benefits	**3,877**	140
Fees	**384**	707
Defined contribution plan	**620**	-
	4,881	847

Included in the above is the Directors' remuneration which is disclosed in Note 31.

(d) Credit transactions and exposure with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	The Group and the Bank	
	30.06.2013	30.06.2012
	RM'000	RM'000
Outstanding credit exposures with connected parties	52,563	-
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	5.24%	0.00%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.00%	0.00%

35 Dividends

No dividend has been paid by the Bank since the end of the previous financial year.

At the forthcoming Annual General Meeting, the Directors of the Bank recommend the payment of 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 of Redeemable Preference Shares amounting to RM28,000,239 for the financial year ended 30 June 2013.

36 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 transactions. These commitments and contingencies are also not secured over the assets of the Group.

The Group and the Bank	30.06.2013 Principal amount RM'000	30.06.2012 Principal amount RM'000	01.01.2011 Principal amount RM'000
Commitments and contingent liabilities			
Direct Credit Substitutes	**50,750**	-	-
Obligations under underwriting agreement	**-**	-	125,940
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice			
- maturity less than one year	**507,022**	137,469	198,666
Other commitments, such as formal standby facilities and credit lines			
- maturity over one year	**69**	641	38
Others	**636,606**	36,057	52,255
	1,194,447	174,167	376,899
Derivative financial instruments			
Interest rate related contracts:			
- One year or less	**716,412**	-	-
- Over one year to five years	**2,161,706**	-	-
Foreign exchange related contracts:			
- One year or less	**2,096,122**	-	-
Equity related contracts:			
- One year or less	**1,429**	-	-
- Over one year to five years	**11,429**	-	-
	4,987,098	-	-
	6,181,545	174,167	376,899

37 Capital commitments

	The Group and the Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Property and equipment			
- approved and contracted but not provided for	**771**	2,964	4580
- approved but not contracted for	**3,583**	-	901
	4,354	2,964	5,481

38 Lease commitments

The Group and the Bank have lease commitments in respect of rented premises and hired equipments, all of which are classified as operating lease. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitments are as follows:

	The Group and the Bank		
	30.06.2013	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000
Less than one year	**5,532**	13	242
More than one year	**8,151**	714	70
More than five year	**5**	-	-
	13,688	727	312

39 Capital Management

The Bank's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholder' requirements and expectations. The Bank's Capital Management Framework for maintaining appropriate capital levels is in line with the Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework.

40 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (2012: 8.0%) for total capital ratio.

40 Capital adequacy (continued)

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.

30 June 2013 - Basel III

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

	The Group	The Bank
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	33.200%	33.194%
Tier I capital ratio	33.200%	33.194%
Total capital ratio	33.455%	33.288%
After deducting proposed dividends:		
CET I capital ratio	30.108%	30.099%
Tier I capital ratio	30.108%	30.099%
Total capital ratio	30.363%	30.193%

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

	The Group RM'000	The Bank RM'000
CET1 capital		
Paid-up ordinary share capital	165,000	165,000
Share premium	87,950	87,950
Other reserves	139,176	138,810
	392,126	391,760
Regulatory adjustments:		
- goodwill	(28,986)	(28,986)
- deferred tax assets	(61,978)	(61,978)
- other regulatory adjusments	(525)	(525)
Total CET1 capital	300,637	300,271
Tier 1 capital	300,637	300,271
Tier-2 capital		
Redeemable preference shares (“RPS”)	1,631	1,631
Collective assessment allowance for losses on loans and advances [1]	678	678
Regulatory adjustments:		
- investment in subsidiaries	-	(1,455)
Total Tier 2 capital	2,309	854
Total capital	302,946	301,125

Note:
[1] Excludes collective assessment allowance attributable to loans and advances classified as impaired.

40 Capital adequacy (continued)

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

	The Group RM'000	The Bank RM'000
Credit risk	**465,326**	**464,961**
Market risk	**321,448**	**321,448**
Operational risk	**118,761**	**118,189**
	905,535	**904,598**

Restated 30 June 2012 and 1 January 2011 - Basel II

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

	The Group		The Bank	
	30.06.2012	01.01.2011	30.06.2012	01.01.2011
Before and after deducting proposed dividends:				
Core capital ratio	143.8%	77.9%	145.5%	77.8%
Risk-weighted capital ratio	143.9%	77.9%	145.4%	77.7%

(ii) The components of Tier 1 and Tier 2 capital of the Group and the Bank are as follows:

	The Group		The Bank	
	30.06.2012 RM'000	01.01.2011 RM'000	30.06.2012 RM'000	01.01.2011 RM'000
Tier 1 capital				
Paid-up ordinary share capital	75,000	75,000	75,000	75,000
Share premium	87,950	87,950	87,950	87,950
Other reserves [(1)]	12,584	114,374	12,369	94,217
	175,534	277,324	175,319	257,167
Less:				
- goodwill	-	(86,610)	-	(66,663)
- deferred tax assets	(35,271)	(35,317)	(35,271)	(35,317)
Total Tier 1 capital	140,263	155,397	140,048	155,187
Tier 2 capital				
Collective assessment allowance for losses on loans and advances [(2)]	160	172	160	172
Total Tier 2 capital	160	172	160	172
Total capital	140,423	155,569	140,208	155,359
Less: Investment in subsidiaries	-	-	(220)	(220)
Total capital base	140,423	155,569	139,988	155,139

Note:

(1) Fair value reserve has been excluded from the capital base.

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

40 Capital adequacy (continued)

Restated 30 June 2012 and 1 January 2011 - Basel II (continued)

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

	The Group		The Bank	
	30.06.2012	01.01.2011	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	RM'000
Credit risk	36,564	79,746	36,496	79,746
Market risk	-	55,130	-	55,130
Operational risk	60,999	64,717	59,760	64,717
	97,563	199,593	96,256	199,593

41 Financial instruments

(a) Risk management objectives and policies

Risk Management is one of the core activities of the Bank to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Bank conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk include settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Bank.

The Bank has set out Board approved policies and guidelines for the management of credit risk. The Management Credit and Underwriting Committee ("MCUC") shall oversee all credit related matters of the Bank, in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities.

Market Risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Bank monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks.

The Bank has in place a set of policies, guidelines for the management of market risk. Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

41 Financial instruments (continued)

(a) Risk management objectives and policies (continued)

Liquidity Risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Operational Risk

Operational risk is the risk of direct and indirect loss resulting from inadequate or failed internal processes and controls due to error, inefficiencies, omission and unauthorised access, including external events beyond the control of the Bank. In order to reduce or mitigate these risks, the Bank has established internal control mechanisms within the various levels of the organisation, which include the setting up of procedural and control systems by the various units to manage the day-to-day operational risk inherent in their respective business and functional areas.

The Operational Risk Management ("ORM") Policy is in place to ensure that controls and segregation of duties exists to mitigate operational risks. The Bank has taken an initiative to promote operational risk awareness among its staff and an in-house awareness programme was completed in 2011. The Bank has begun presenting loss data reports on monthly basis to the senior management and the Board. This will also provide the foundation for mapping and collecting data on loss events and self-assessment models in subsequent phases of the ORM initiatives.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at the reporting date.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business unit and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

41 Financial instruments (continued)

(b) Market risk (continued)

(i) Interest rate sensitivity analysis

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity with an immediate up and down +/-100 basis points ('bps') parallel shift in the interest rate.

	The Group		The Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
30.06.2013				
+100 bps	**(16,544)**	**(8,220)**	**(16,544)**	**(8,220)**
-100 bps	**16,544**	**8,220**	**16,544**	**8,220**
30.06.2012				
+100 bps	1,220	-	1,218	-
-100 bps	(1,220)	-	(1,218)	-

As at transition date of 1 January 2011, interest rate risk sensitivity results of the impact on profit after tax and equity of financial assets or financial liabilities bearing floating interest rates and fixed rates financial assets and financial liabilities that are re-measured to fair value are not disclosed as the impact is immaterial to the Group and the Bank.

41 Financial instruments (continued)

(b) Market risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the affect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

	Impact on profit after tax		
	30.06.2013	30.06.2012	01.01.2011
The Group and the Bank	**RM'000**	RM'000	RM'000
+1%	**(121)**	-	-
-1%	**121**	-	-

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	←		Non–trading book			→		
The Group 30.06.2013	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	**487,545**	**-**	**-**	**-**	**-**	**68,724**	**-**	**556,269**
Clients' and brokers' balances	**-**	**-**	**-**	**-**	**-**	**147,539**	**-**	**147,539**
Reverse repurchase agreements	**80,271**	**194,117**	**-**	**-**	**-**	**-**	**-**	**274,388**
Deposits and placements with banks and other financial institutions	**-**	**261,658**	**63,543**	**-**	**-**	**-**	**-**	**325,201**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**662,973**	**662,973**
Financial investments available-for-sale	**-**	**5,102**	**5,071**	**173,904**	**79,875**	**686**	**-**	**264,638**
Financial investments held-to-maturity	**-**	**-**	**15,225**	**238,686**	**-**	**-**	**-**	**253,911**
Loans and advances	**172,644**	**-**	**12**	**269**	**2,249**	**(990)**	**-**	**174,184**
Derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**40,941**	**40,941**
Other assets *	**-**	**-**	**-**	**-**	**-**	**136,255**	**-**	**136,255**
Total assets	**740,460**	**460,877**	**83,851**	**412,859**	**82,124**	**352,214**	**703,914**	**2,836,299**

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, intangible assets and goodwill.

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2013	Non–trading book: Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	127,327	-	127,327
Deposits from customers	470,169	-	-	-	-	-	-	470,169
Deposits and placements of banks and other financial institutions	1,149,591	350,803	42,581	-	-	-	-	1,542,975
Repurchased agreements	-	129,625	47,408	-	-	-	-	177,033
Derivative financial liabilities	-	-	-	-	-	-	32,773	32,773
Other liabilities	-	-	-	-	-	92,265	-	92,265
Total liabilities	1,619,760	480,428	89,989	-	-	219,592	32,773	2,442,542
Total equity	-	-	-	-	-	393,757	-	393,757
Total liabilities and equity	1,619,760	480,428	89,989	-	-	613,349	32,773	2,836,299
On-balance sheet interest sensitivity gap	(879,300)	(19,551)	(6,138)	412,859	82,124			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(879,300)	(19,551)	(6,138)	412,859	82,124			

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2012	**Non–trading book** Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	**Total RM'000**
Assets							
Cash and short-term funds	63,744	-	-	-	-	6,368	70,112
Clients' and brokers' balances	-	-	-	-	-	20,089	20,089
Deposits and placements with banks and other financial institutions	-	271	-	-	-	-	271
Loans and advances	67,148	-	33	391	2,158	(160)	69,570
Other assets *	-	-	-	-	-	49,160	49,160
Total assets	130,892	271	33	391	2,158	75,457	209,202

* Includes deferred tax assets, property and equipment and intangible assets.

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41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	←		Non–trading book			→	
The Group 30.06.2012	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	-	-	-	-	-	10,157	10,157
Other liabilities**	-	-	-	-	-	23,511	23,511
Total liabilities	-	-	-	-	-	33,668	33,668
Total equity	-	-	-	-	-	175,534	175,534
Total liabilities and equity	-	-	-	-	-	209,202	209,202
On-balance sheet interest sensitivity gap	130,892	271	33	391	2,158		
Off-balance sheet interest sensitivity gap	-	-	-	-	-		
Total interest rate sensitivity gap	130,892	271	33	391	2,158		

**Includes provision for tax.

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	← Non–trading book					→	
The Group 01.01.2011	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	44,697	-	-	-	-	11,296	55,993
Clients' and brokers' balances	-	-	-	-	-	34,114	34,114
Deposits and placements with banks and other financial institutions	-	162	-	-	-	-	162
Financial investments available-for-sale	8,990	996	15,231	24,924	-	819	50,960
Loans and advances	81,668	6	6	514	4,040	(172)	86,062
Other assets *	93	-	-	-	-	132,196	132,289
Total assets	135,448	1,164	15,237	25,438	4,040	178,253	359,580

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, intangible assets and goodwill.

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	← Non–trading book →						
The Group 01.01.2011	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	-	-	-	-	-	21,116	21,116
Deposits and placements of banks and other financial institutions	15,002	25,004	-	-	-	-	40,006
Other liabilities**	6,824	-	-	-	-	13,855	20,679
Total liabilities	21,826	25,004	-	-	-	34,971	81,801
Total equity	-	-	-	-	-	277,779	277,779
Total liabilities and equity	21,826	25,004	-	-	-	312,750	359,580
On-balance sheet interest sensitivity gap	113,622	(23,840)	15,237	25,438	4,040		
Off-balance sheet interest sensitivity gap	-	-	-	-	-		
Total interest rate sensitivity gap	113,622	(23,840)	15,237	25,438	4,040		

**Includes provision for tax.

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2013	← Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	Non–trading book 1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000 →	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	487,545	-	-	-	-	67,157	-	554,702
Clients' and brokers' balances	-	-	-	-	-	147,539	-	147,539
Reverse repurchase agreements	80,271	194,117	-	-	-	-	-	274,388
Deposits and placements with banks and other financial institutions	-	261,387	63,543	-	-	-	-	324,930
Financial assets at fair value through profit or loss	-	-	-	-	-	-	662,973	662,973
Financial investments available-for-sale	-	5,102	5,071	173,904	79,875	686	-	264,638
Financial investments held-to-maturity	-	-	15,225	238,686	-	-	-	253,911
Loans and advances	172,643	-	12	269	2,250	(990)	-	174,184
Derivative financial assets	-	-	-	-	-	-	40,941	40,941
Other assets *	-	-	-	-	-	137,707	-	137,707
Total assets	740,459	460,606	83,851	412,859	82,125	352,099	703,914	2,835,913

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, intangible assets and goodwill.

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41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2013	**Non–trading book: Up to 1 month RM’000**	**1 – 3 months RM’000**	**3 to 12 months RM’000**	**1 – 5 years RM’000**	**Over 5 years RM’000**	**Non-interest rate sensitive RM’000**	**Trading book RM’000**	**Total RM’000**
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	127,327	-	127,327
Deposits from customers	470,169	-	-	-	-	-	-	470,169
Deposits and placements of banks and other financial institutions	1,149,591	350,803	42,581	-	-	-	-	1,542,975
Repurchased agreements	-	129,625	47,408	-	-	-	-	177,033
Derivative financial liabilities	-	-	-	-	-	-	32,773	32,773
Other liabilities	-	-	-	-	-	92,245	-	92,245
Total liabilities	1,619,760	480,428	89,989	-	-	219,572	32,773	2,442,522
Total equity	-	-	-	-	-	393,391	-	393,391
Total liabilities and equity	1,619,760	480,428	89,989	-	-	612,963	32,773	2,835,913
On-balance sheet interest sensitivity gap	(879,301)	(19,822)	(6,138)	412,859	82,125			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(879,301)	(19,822)	(6,138)	412,859	82,125			

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	← Non–trading book					→	
The Bank 30.06.2012	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 to 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest rate sensitive RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	63,744	-	-	-	-	5,949	69,693
Clients' and brokers' balances	-	-	-	-	-	20,089	20,089
Loans and advances	67,148	-	33	391	2,158	(160)	69,570
Other assets *	-	-	-	-	-	49,436	49,436
Total assets	130,892	-	33	391	2,158	75,314	208,788

* Includes deferred tax assets, investment in subsidiary companies, property and equipment and intangible assets.

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2012	**Non–trading book** Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	Total RM'000
Liabilities							
Clients' and brokers' balances	-	-	-	-	-	10,157	10,157
Other liabilities**	-	-	-	-	-	23,312	23,312
Total liabilities	-	-	-	-	-	33,469	33,469
Total equity	-	-	-	-	-	175,319	175,319
Total liabilities and equity	-	-	-	-	-	208,788	208,788
On-balance sheet interest sensitivity gap	130,892	-	33	391	2,158		
Off-balance sheet interest sensitivity gap	-	-	-	-	-		
Total interest rate sensitivity gap	130,892	-	33	391	2,158		

**Includes provision for tax.

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 01.01.2011	Non–trading book Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	Total RM'000
Assets							
Cash and short-term funds	44,413	-	-	-	-	11,296	55,709
Clients' and brokers' balances	-	-	-	-	-	34,114	34,114
Financial investments available-for-sale	8,990	996	15,231	24,924	-	819	50,960
Loans and advances	81,668	6	6	514	4,040	(172)	86,062
Other assets *	93	-	-	-	-	112,443	112,536
Total assets	135,164	1,002	15,237	25,438	4,040	158,500	339,381

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, intangible assets and goodwill.

41 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 01.01.2011	Non–trading book: Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest rate sensitive RM'000	Total RM'000
Liabilities							
Clients' and brokers' balances	-	-	-	-	-	21,116	21,116
Deposits and placements of banks and other financial institutions	15,002	25,004	-	-	-	-	40,006
Other liabilities**	6,824	-	-	-	-	13,813	20,637
Total liabilities	21,826	25,004	-	-	-	34,929	81,759
Total equity	-	-	-	-	-	257,622	257,622
Total liabilities and equity	21,826	25,004	-	-	-	292,551	339,381
On-balance sheet interest sensitivity gap	113,338	(24,002)	15,237	25,438	4,040		
Off-balance sheet interest sensitivity gap	-	-	-	-	-		
Total interest rate sensitivity gap	113,338	(24,002)	15,237	25,438	4,040		

**Includes provision for tax.

41 Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Bank seek the project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8:

The Group 30.06.2013	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	288,908	267,361	-	-	-	-	-	556,269
Clients' and brokers' balances	147,539	-	-	-	-	-	-	147,539
Reverse repurchased agreements	-	80,271	194,117	-	-	-	-	274,388
Deposits and placements with banks and other financial institutions	-	-	261,658	15,935	47,608	-	-	325,201
Financial assests at fair value through profit or loss	27,845	171,193	170,802	-	-	277,788	15,345	662,973
Financial investments available-for-sale	-	-	5,102	-	5,071	253,779	686	264,638
Financial investments held-to-maturity	-	-	-	-	15,225	238,686	-	253,911
Loans and advances	138,374	-	-	33,593	12	2,205	-	174,184
Derivative financial assets	648	2,760	3,625	6,819	9,393	17,696	-	40,941
Other assets *	1,148	-	-	-	11,919	-	123,188	136,255
Total assets	604,462	521,585	635,304	56,347	89,228	790,154	139,219	2,836,299

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, intangible assets and goodwill.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 30.06.2013	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	127,327	-	-	-	-	-	-	127,327
Deposits from customers	236,013	234,156	-	-	-	-	-	470,169
Deposits and placements of banks and other financial institutions	915,545	234,046	350,803	42,581	-	-	-	1,542,975
Repurchased agreements	-	-	129,625	47,408	-	-	-	177,033
Other liabilities	195	15,778	-	2,665	54,208	19,419	-	92,265
Derivative financial liabilities	1,382	5,966	6,549	3,401	2,886	12,589	-	32,773
Total liabilities	1,280,462	489,946	486,977	96,055	57,094	32,008	-	2,442,542
Total equity	-	-	-	-	-	-	393,757	393,757
Total liabilities and equity	1,280,462	489,946	486,977	96,055	57,094	32,008	393,757	2,836,299

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 30.06.2012	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	63,744	-	-	-	-	-	6,368	70,112
Clients' and brokers' balances	20,089	-	-	-	-	-	-	20,089
Deposits and placements with banks and other financial institutions	-	-	271	-	-	-	-	271
Loans and advances	67,035	-	-	5	27	2,503	-	69,570
Other assets *	16	2,917	42	257	-	9,646	36,282	49,160
Total assets	150,884	2,917	313	262	27	12,149	42,650	209,202

* Includes deferred tax assets, property and equipment and intangible assests.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 30.06.2012	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	10,157	-	-	-	-	-	-	10,157
Other liabilities **	68	1,460	632	1,420	1,502	18,429	-	23,511
Total liabilities	10,225	1,460	632	1,420	1,502	18,429	-	33,668
Total equity	-	-	-	-	-	-	175,534	175,534
Total liabilities and equity	10,225	1,460	632	1,420	1,502	18,429	175,534	209,202

** Include provision for tax.

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41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 01.01.2011	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	55,993	-	-	-	-	-	-	55,993
Clients' and brokers' balances	34,114	-	-	-	-	-	-	34,114
Deposits and placements with banks and other financial institutions	-	-	162	-	-	-	-	162
Financial investments available-for-sale	-	8,990	996	5,262	9,970	25,742	-	50,960
Loans and advances	55,896	24,556	142	213	425	4,830	-	86,062
Other assets *	-	59	-	-	-	-	132,230	132,289
Total assets	146,003	33,605	1,300	5,475	10,395	30,572	132,230	359,580

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, intangible assets and and goodwill.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 01.01.2011	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	21,116	-	-	-	-	-	-	21,116
Deposits and placements of banks and other financial institutions	-	15,002	25,004	-	-	-	-	40,006
Other liabilities**	6,050	4,095	-	-	-	10,534	-	20,679
Total liabilities	27,166	19,097	25,004	-	-	10,534	-	81,801
Total equity	-	-	-	-	-	-	277,779	277,779
Total liabilities and equity	27,166	19,097	25,004	-	-	10,534	277,779	359,580

** Include provision for tax.

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41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Bank 30.06.2013	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	287,341	267,361	-	-	-	-	-	554,702
Clients' and brokers' balances	147,539	-	-	-	-	-	-	147,539
Reverse repurchased agreements	-	80,271	194,117	-	-	-	-	274,388
Deposits and placements with banks and other financial institutions	-	-	261,387	15,935	47,608	-	-	324,930
Financial assests at fair value through profit or loss	27,846	171,193	170,802	-	-	277,787	15,345	662,973
Financial investments available-for-sale	-	-	5,103	-	5,071	253,778	686	264,638
Financial investments held-to-maturity	-	-	-	-	15,225	238,686	-	253,911
Loans and advances	138,374	-	-	33,593	12	2,205	-	174,184
Derivative financial assets	648	2,760	3,625	6,819	9,393	17,696	-	40,941
Other assets *	1,148	-	-	-	11,919	-	124,640	137,707
Total assets	**602,896**	**521,585**	**635,034**	**56,347**	**89,228**	**790,152**	**140,671**	**2,835,913**

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, intangible assets and goodwill.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

The Bank 30.06.2013	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	127,327	-	-	-	-	-	-	127,327
Deposits from customers	236,013	234,156	-	-	-	-	-	470,169
Deposits and placements of banks and other financial institutions	915,545	234,046	350,803	42,581	-	-	-	1,542,975
Repurchased agreements	-	-	129,625	47,408	-	-	-	177,033
Other liabilities	195	15,778	-	2,665	54,208	19,399	-	92,245
Derivative financial liabilities	1,382	5,966	6,549	3,401	2,886	12,589	-	32,773
Total liabilities	1,280,462	489,946	486,977	96,055	57,094	31,988	-	2,442,522
Total equity	-	-	-	-	-	-	393,391	393,391
Total liabilities and equity	1,280,462	489,946	486,977	96,055	57,094	31,988	393,391	2,835,913

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Bank 30.06.2012	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	63,744	-	-	-	-	-	5,949	69,693
Clients' and brokers' balances	20,089	-	-	-	-	-	-	20,089
Loans and advances	67,035	-	-	5	27	2,503	-	69,570
Other assets *	16	2,990	42	257	-	9,827	36,304	49,436
Total assets	150,884	2,990	42	262	27	12,330	42,253	208,788
Liabilities								
Clients' and brokers' balances	10,157	-	-	-	-	-	-	10,157
Other liabilities **	68	1,263	632	1,420	1,502	18,427	-	23,312
Total liabilities	10,225	1,263	632	1,420	1,502	18,427	-	33,469
Total equity	-	-	-	-	-	-	175,319	175,319
Total liabilities and equity	10,225	1,263	632	1,420	1,502	18,427	175,319	208,788

* Includes deferred tax assets, investment in subsidiary companies, property and equipment and intangible assets.

** Includes provision for tax.

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41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Bank **01.01.2011**	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	55,709	-	-	-	-	-	-	55,709
Clients' and brokers' balances	34,114	-	-	-	-	-	-	34,114
Financial investments available-for-sale	-	8,990	996	5,262	9,970	25,742	-	50,960
Loans and advances	55,896	24,556	142	213	425	4,830	-	86,062
Other assets *	27,526	6,728	-	-	-	42,965	35,317	112,536
Total assets	173,245	40,274	1,138	5,475	10,395	73,537	35,317	339,381

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, intangible assets and goodwill.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Bank 01.01.2011	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Liabilities								
Clients' and brokers' balances	21,116	-	-	-	-	-	-	21,116
Deposits and placements of banks and other financial institutions	-	15,002	25,004	-	-	-	-	40,006
Other liabilities**	6,050	4,095	-	-	-	10,492	-	20,637
Total liabilities	27,166	19,097	25,004	-	-	10,492	-	81,759
Total equity	-	-	-	-	-	-	257,622	257,622
Total liabilities and equity	27,166	19,097	25,004	-	-	10,492	257,622	339,381

** Include provision for tax.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The Group 30.06.2013	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	**127,327**	**-**	**-**	**-**	**-**	**-**	**127,327**
Deposits from customers	**470,515**	**-**	**-**	**-**	**-**	**-**	**470,515**
Deposits and placements of banks and other financial institutions	**1,149,865**	**394,150**	**-**	**-**	**-**	**-**	**1,544,015**
Repurchased agreements	**-**	**177,139**	**-**	**-**	**-**	**-**	**177,139**
Other liabilities	**15,993**	**2,665**	**54,208**	**19,399**	**-**	**-**	**92,265**
Derivative financial liabilities							
- gross settled derivatives							
- inflow	**(637,390)**	**(1,115,505)**	**(364,159)**	**(62,381)**	**-**	**-**	**(2,179,435)**
- outflow	**640,950**	**1,116,145**	**364,101**	**63,587**	**-**	**-**	**2,184,783**
- net settled derivatives	**85**	**1,524**	**1,881**	**6,534**	**1,344**	**-**	**11,368**
Total financial liabilities	**1,767,345**	**576,118**	**56,031**	**27,139**	**1,344**	**-**	**2,427,977**

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Group 30.06.2012	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	10,157	-	-	-	-	-	10,157
Other liabilities**	1,528	2,052	1,502	18,429	-	-	23,511
Total financial liabilities	11,685	2,052	1,502	18,429	-	-	33,668

The Group 01.01.2011	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	21,116	-	-	-	-	-	21,116
Deposits and placements of banks and other financial institutions	15,002	25,004	-	-	-	-	40,006
Other liabilities**	10,145	-	-	10,534	-	-	20,679
Total financial liabilities	46,263	25,004	-	10,534	-	-	81,801

** Include provision for tax.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The Bank **30.06.2013**	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	127,327	-	-	-	-	-	127,327
Deposits from customers	470,515	-	-	-	-	-	470,515
Deposits and placements of banks and other financial institutions	1,149,865	394,150	-	-	-	-	1,544,015
Repurchased agreements	-	177,139	-	-	-	-	177,139
Other liabilities**	15,973	2,665	54,208	19,399	-	-	92,245
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(637,390)	(1,115,505)	(364,159)	(62,381)	-	-	(2,179,435)
- outflow	640,950	1,116,145	364,101	63,587	-	-	2,184,783
- net settled derivatives	85	1,524	1,881	6,534	1,344	-	11,368
Total financial liabilities	1,767,325	576,118	56,031	27,139	1,344	-	2,427,957

** Include provision for tax.

41 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Bank 30.06.2012	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	10,157	-	-	-	-	-	10,157
Other liabilities**	1,331	2,052	1,502	18,427	-	-	23,312
Total financial liabilities	11,488	2,052	1,502	18,427	-	-	33,469

The Bank 01.01.2011							
Liabilities							
Clients' and brokers' balances	21,116	-	-	-	-	-	21,116
Deposits and placements of banks and other financial institutions	15,002	25,004	-	-	-	-	40,006
Other liabilities**	10,145	-	-	10,492	-	-	20,637
Total financial liabilities	46,263	25,004	-	10,492	-	-	81,759

** Include provision for tax.

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41 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies:

The Group and Bank	**Less than 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
30.06.2013			
Direct credit substitutes	-	**50,750**	**50,750**
Obligations under underwriting agreement	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	**69**	**69**
Any commitment that are unconditionally cancelled at anytime by the bank withour prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**507,022**	**-**	**507,022**
Others	**636,606**	**-**	**636,606**
	1,143,628	**50,819**	**1,194,447**
30.06.2012			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	641	641
Any commitment that are unconditionally cancelled at anytime by the bank withour prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	137,469	-	137,469
Others	36,057	-	36,057
	173,526	641	174,167
01.01.2011			
Obligations under underwriting agreement	125,940	-	125,940
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	38	38
Any commitment that are unconditionally cancelled at anytime by the bank withour prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	198,666	-	198,666
Others	52,255	-	52,255
	376,861	38	376,899

41 Financial instruments (continued)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position is the amounts on the statement of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank:

	The Group			**The Bank**		
	30.06.2013	30.06.2012	01.01.2011	**30.06.2013**	30.06.2012	01.01.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:						
Short-term funds (exclude cash in hand)	**556,254**	70,103	55,989	**554,687**	69,684	55,705
Clients' and brokers' balances	**147,539**	20,089	34,114	**147,539**	20,089	34,114
Reverse repurchased agreements	**274,388**	-	-	**274,388**	-	-
Deposits and placements with banks and other financial institutions	**325,201**	271	162	**324,930**	-	-
Financial assets and investments portfolios (exclude shares)						
- financial assets at fair value through profit or loss	**647,628**	-	-	**647,628**	-	-
- financial investments available-for-sale	**263,952**	-	50,142	**263,952**	-	50,142
- financial investments held-to-maturity	**253,911**	-	-	**253,911**	-	-
Loans and advances	**174,184**	69,570	86,062	**174,184**	69,570	86,062
Other assets	**12,499**	12,759	7,063	**12,496**	12,815	7,037
Derivative financial assets	**40,941**	-	-	**40,941**	-	-
	2,696,497	172,792	233,532	**2,694,656**	172,158	233,060
Credit risk exposure relating to off-balance sheet assets:						
Commitments and contingencies	**1,194,447**	174,167	376,899	**1,194,447**	174,167	376,899
Total maximum credit risk exposure	**3,890,944**	346,959	610,431	**3,889,103**	346,325	609,959

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

41 Financial instruments (continued)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group and the Bank are as follows:
(a) Fixed deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Quoted shares

The Group and the Bank also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 30 June 2013 for the Group and the Bank is 99% (30 June 2012: 100%, 1 January 2011: 100%). The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit quality

(a) Loans and advances

All loans and advances are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired

Past due loans and advances refer to loans that are overdue by one day or more. Impaired loans and advances are loans and advances with months-in-arrears more than 90 days or with impaired allowances.

Loans and advances are summarised as follows:

The Group and the Bank	**30.06.2013 RM'000**	30.06.2012 RM'000	01.01.2011 RM'000
Neither past due nor impaired	**174,051**	69,730	86,234
Past due but not impaired	**-**	-	-
Individually impaired	**1,123**	-	-
Gross loans and advances	**175,174**	69,730	86,234
Less: allowance for impaired loans, advances and financing			
- individual assessment allowance	**(252)**	-	-
- collective assessment allowance	**(738)**	(160)	(172)
Total net loans and advances	**174,184**	69,570	86,062

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired based on the Group's and the Bank's credit grading system is as follows:

The Group and the Bank	**30.06.2013 RM'000**	30.06.2012 RM'000	01.01.2011 RM'000
Grading classification			
- Good	**174,051**	67,907	86,234
- Fair	-	1,823	-
Total neither past due nor impaired	**174,051**	69,730	86,234

The definition of the grading classification of loans and advances can be summarised as follows:

Good:
Refers to loans and advances and financing which have never been past due in the last 6 months and have never undergone any restructuring or rescheduling exercise previously.

Fair :
Refers to loans and advances which have been past due at some point within the last 6 months, or have undergone restructuring or rescheduling exercise previously.

(ii) Loans and advances past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

There was no loans and advances past due but not impaired for the Group and the Bank.

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

(iii) Loans and advances that are individually determined to be impaired as at reporting date are as follows:

The Group and the Bank	**30.06.2013 RM'000**	30.06.2012 RM'000	01.01.2011 RM'000
Gross amount of individually impaired loans	**1,123**	-	-
Less: Individual assessment allowance	**(252)**	-	-
Total net amount individually impaired loans	**871**	-	-

(b) The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:-

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2013								
Neither past due nor impaired	**881,455**	**147,145**	**274,388**	**647,628**	**263,952**	**253,911**	**12,499**	**40,941**
Individually impaired	**-**	**805**	**-**	**-**	**-**	**-**	**443**	**-**
Less: Impairment losses	**-**	**(411)**	**-**	**-**	**-**	**-**	**(443)**	**-**
	881,455	**147,539**	**274,388**	**647,628**	**263,952**	**253,911**	**12,499**	**40,941**
30.06.2012								
Neither past due nor impaired	70,374	20,169	-	-	-	-	12,759	-
Individually impaired	-	185	-	-	-	-	-	-
Less: Impairment losses	-	(265)	-	-	-	-	-	-
	70,374	20,089	-	-	-	-	12,759	-

Notes to the financial statements
for the financial year ended 30 June 2013 (continued)

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows (continued):-

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
01.01.2011								
Neither past due nor impaired	56,151	34,091	-	-	50,142	-	7,063	-
Individually impaired	-	155	-	-	-	-	-	-
Less: Impairment losses	-	(132)	-	-	-	-	-	-
	56,151	34,114	-	-	50,142	-	7,063	-

The amount of short-term funds and deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

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41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows (continued):-

The Bank	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Reverse repurchase agreements RM'000**	**Financial assets at fair value through profit or loss RM'000**	**Financial investments available-for-sale RM'000**	**Financial investments held-to-maturity RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**
30.06.2013								
Neither past due nor impaired	**879,617**	**147,145**	**274,388**	**647,628**	**263,952**	**253,911**	**12,496**	**40,941**
Individually impaired	**-**	**805**	**-**	**-**	**-**	**-**	**443**	**-**
Less: Impairment losses	**-**	**(411)**	**-**	**-**	**-**	**-**	**(443)**	**-**
	879,617	**147,539**	**274,388**	**647,628**	**263,952**	**253,911**	**12,496**	**40,941**
30.06.2012								
Neither past due nor impaired	69,684	20,169	-	-	-	-	12,815	-
Individually impaired	-	185	-	-	-	-	-	-
Less: Impairment losses	-	(265)	-	-	-	-	-	-
	69,684	20,089	-	-	-	-	12,815	-

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows (continued):-

The Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
01.01.2011								
Neither past due nor impaired	55,705	34,091	-	-	50,142	-	7,037	-
Individually impaired	-	155	-	-	-	-	-	-
Less: Impairment losses	-	(132)	-	-	-	-	-	-
	55,705	34,114	-	-	50,142	-	7,037	-

The amount of short-term funds and deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

Notes to the financial statements
for the financial year ended 30 June 2013 (continued)

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets (continued).

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2013								
AAA to AA3	-	-	-	294,761	87,380	35,702	-	19,429
A1 to A3	-	-	-	84,291	46,297	52,205	1,280	2,256
Baa1 to Baa3	-	-	-	28,988	40,179	140,707	-	-
P1 to P3	610,810	-	-	219,476	-	-	171	-
Non-rated, of which:								
- Bank Negara Malaysia	220,632	-	274,388	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	59,669	5,107	-	-
- Government Guaranteed Private Debt Securities	-	-	-	20,107	30,427	20,190	-	-
- Others	50,013	147,539	-	5	-	-	11,048	19,256
	270,645	147,539	274,388	20,112	90,096	25,297	11,048	19,256
	881,455	147,539	274,388	647,628	263,952	253,911	12,499	40,941

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets (continued).

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2012								
AAA to AA3	-	-	-	-	-	-	-	-
A1 to A3	-	-	-	-	-	-	-	-
Baa1 to Baa3	-	-	-	-	-	-	-	-
P1 to P3	70,374	-	-	-	-	-	-	-
Non-rated, of which:								
- Bank Negara Malaysia	-	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	-	-	-	-
- Government Guaranteed Private Debt Securities	-	-	-	-	-	-	-	-
- Others	-	20,089	-	-	-	-	12,759	-
	-	20,089	-	-	-	-	12,759	-
	70,374	20,089	-	-	-	-	12,759	-

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41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets (continued).

(i) Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
01.01.2011								
AAA to AA3	-	-	-	-	50,142	-	-	-
A1 to A3	-	-	-	-	-	-	-	-
Baa1 to Baa3	-	-	-	-	-	-	-	-
P1 to P3	56,151	-	-	-	-	-	-	-
Non-rated, of which:								
- Bank Negara Malaysia	-	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	-	-	-	-
- Government Guaranteed Private Debt Securities	-	-	-	-	-	-	-	-
- Others	-	34,114	-	-	-	-	7,063	-
	-	34,114	-	-	-	-	7,063	-
	56,151	34,114	-	-	50,142	-	7,063	-

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41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets (continued).

(i) Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows (continued):

The Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2013								
AAA to AA3	-	-	-	294,761	87,380	35,702	-	19,429
A1 to A3	-	-	-	84,291	46,297	52,205	1,280	2,256
Baa1 to Baa3	-	-	-	28,988	40,179	140,707	-	-
P1 to P3	608,972	-	-	219,476	-	-	171	-
Non-rated, of which:								
- Bank Negara Malaysia	220,632	-	274,388	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	59,669	5,107	-	-
- Government Guaranteed Private Debt Securities	-	-	-	20,107	30,427	20,190	-	-
- Others	50,013	147,539	-	5	-	-	11,045	19,256
	270,645	147,539	274,388	20,112	90,096	25,297	11,045	19,256
	879,617	147,539	274,388	647,628	263,952	253,911	12,496	40,941

Notes to the financial statements
for the financial year ended 30 June 2013 (continued)

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets (continued).

(i) Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows (continued):

The Bank	**Short-term funds and deposits and placements with banks and other financial institutions RM'000**	**Clients' and brokers' balances RM'000**	**Reverse repurchase agreements RM'000**	**Financial assets at fair value through profit or loss RM'000**	**Financial investments available-for-sale RM'000**	**Financial investments held-to-maturity RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**
30.06.2012								
AAA to AA3	-	-	-	-	-	-	-	-
A1 to A3	-	-	-	-	-	-	-	-
Baa1 to Baa3	-	-	-	-	-	-	-	-
P1 to P3	69,684	-	-	-	-	-	-	-
Non-rated, of which:								
- Bank Negara Malaysia	-	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	-	-	-	-
- Government Guaranteed Private Debt Securities	-	-	-	-	-	-	-	-
- Others	-	20,089	-	-	-	-	12,815	-
	-	20,089	-	-	-	-	12,815	-
	69,684	20,089	-	-	-	-	12,815	-

Notes to the financial statements
for the financial year ended 30 June 2013 (continued)

41 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets (continued).

(i) Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows (continued):

The Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
01.01.2011								
AAA to AA3	-	-	-	-	50,142	-	-	-
A1 to A3	-	-	-	-	-	-	-	-
Baa1 to Baa3	-	-	-	-	-	-	-	-
P1 to P3	55,705	-	-	-	-	-	-	-
Non-rated, of which:								
- Bank Negara Malaysia	-	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	-	-	-	-
- Government Guaranteed Private Debt Securities	-	-	-	-	-	-	-	-
- Others	-	34,114	-	-	-	-	7,037	-
	-	34,114	-	-	-	-	7,037	-
	55,705	34,114	-	-	50,142	-	7,037	-

41 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Collateral and other credit enhancements obtained

(a) Repossessed collateral

As and when required, the Group and the Bank will take possession of collateral they hold as securities and will dispose of them as soon as practicable but not later than 5 years from the date they take possession, with the proceeds used to reduce the outstanding indebtedness. There is no repossessed collateral as at the reporting date.

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41 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below:

The Group 30.06.2013	Short term funds and deposits and placements with financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	16,227	-	10,040	-	-	-	26,267	-
Manufacturing	-	-	-	30,499	-	10,158	661	207	-	41,525	96
Electricity, gas and water	-	-	-	5,788	-	-	33,332	2,010	-	41,130	-
Construction	-	-	-	15,143	-	-	481	379	4,862	20,865	53,267
Wholesale and retail	-	-	-	45,106	15,414	15,383	-	-	-	75,903	-
Transport, storage and communications	-	-	-	6,797	19,971	5,065	-	140	-	31,973	-
Finance, insurance, real estate and business services	660,824	-	-	482,239	148,693	208,158	41,020	4,006	36,079	1,581,019	669,746
Government and government agencies	220,631	-	274,388	20,108	79,874	5,107	-	2,724	-	602,832	-
Household	-	-	-	-	-	-	92,839	-	-	92,839	458,226
Purchase of securities	-	147,539	-	-	-	-	-	-	-	147,539	-
Others	-	-	-	25,721	-	-	5,851	3,033	-	34,605	13,112
	881,455	147,539	274,388	647,628	263,952	253,911	174,184	12,499	40,941	2,696,497	1,194,447

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41 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Group **30.06.2012**	**Short term funds and deposits and placements with financial** **RM'000**	**Clients' and brokers' balances** **RM'000**	**Reverse repurchase agreements** **RM'000**	**Financial assets at fair value through profit or** **RM'000**	**Financial investments available-for-sale** **RM'000**	**Financial investments held-to-maturity** **RM'000**	**Loans and advances** **RM'000**	**Other assets** **RM'000**	**Derivative financial assets** **RM'000**	**On-balance sheet total** **RM'000**	**Credit related commitments and contingencies** **RM'000**
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	760	198	-	958	241
Electricity, gas and water	-	-	-	-	-	-	-	11	-	11	-
Construction	-	-	-	-	-	-	636	9,041	-	9,677	2,364
Wholesale and retail	-	-	-	-	-	-	-	-	-	-	-
Transport, storage and communications	-	-	-	-	-	-	-	-	-	-	-
Finance, insurance, real estate and business services	70,371	-	-	-	-	-	24,297	100	-	94,768	66,844
Government and government agencies	3	-	-	-	-	-	-	-	-	3	-
Household	-	-	-	-	-	-	41,796	-	-	41,796	103,803
Purchase of securities	-	20,089	-	-	-	-	-	-	-	20,089	-
Others	-	-	-	-	-	-	2,081	3,409	-	5,490	915
	70,374	20,089	-	-	-	-	69,570	12,759	-	172,792	174,167

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(d) Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Group 01.01.2011	Short term funds and deposits and placements with financial RM’000	Clients' and brokers' balances RM’000	Reverse repurchase agreements RM’000	Financial assets at fair value through profit or RM’000	Financial investments available-for-sale RM’000	Financial investments held-to-maturity RM’000	Loans and advances RM’000	Other assets RM’000	Derivative financial assets RM’000	On-balance sheet total RM’000	Credit related commitments and contingencies RM’000
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	16	1,025	-	1,041	1,983
Electricity, gas and water	-	-	-	-	-	-	-	389	-	389	-
Construction	-	-	-	-	-	-	938	293	-	1,231	2,138
Wholesale and retail	-	-	-	-	9,986	-	4,935	-	-	14,921	5,070
Transport, storage and communications	-	-	-	-	20,137	-	-	1,674	-	21,811	-
Finance, insurance, real estate and business services	35,127	-	-	-	20,019	-	22,810	3,239	-	81,195	200,367
Government and government agencies	21,024	-	-	-	-	-	-	73	-	21,097	-
Household	-	-	-	-	-	-	56,216	130	-	56,346	150,490
Purchase of securities	-	34,114	-	-	-	-	-	-	-	34,114	-
Others	-	-	-	-		-	1,147	240	-	1,387	16,851
	56,151	34,114	-	-	50,142	-	86,062	7,063	-	233,532	376,899

41 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Bank 30.06.2013	**Short term funds and deposits and placements with financial RM'000**	**Clients' and brokers' balances RM'000**	**Reverse repurchase agreements RM'000**	**Financial assets at fair value through profit or RM'000**	**Financial investments available-for-sale RM'000**	**Financial investments held-to-maturity RM'000**	**Loans and advances RM'000**	**Other assets RM'000**	**Derivative financial assets RM'000**	**On-balance sheet total RM'000**	**Credit related commitments and contingencies RM'000**
Agriculture	-	-	-	16,227	-	10,040	-	-	-	26,267	-
Manufacturing	-	-	-	30,499	-	10,158	661	207	-	41,525	96
Electricity, gas and water	-	-	-	5,788	-	-	33,332	2,010	-	41,130	-
Construction	-	-	-	15,143	-	-	481	379	4,862	20,865	53,267
Wholesale and retail	-	-	-	45,106	15,414	15,383	-	-	-	75,903	-
Transport, storage and communications	-	-	-	6,797	19,971	5,065	-	140	-	31,973	-
Finance, insurance, real estate and business services	658,985	-	-	482,239	148,693	208,158	41,020	4,006	36,079	1,579,180	669,746
Government and government agencies	220,632	-	274,388	20,108	79,874	5,107		2,724	-	602,833	-
Household	-	-	-	-	-	-	92,839	-	-	92,839	458,228
Purchase of securities	-	147,539	-	-	-	-	-	-	-	147,539	-
Others	-	-	-	25,721	-	-	5,851	3,030	-	34,602	13,110
	879,617	**147,539**	**274,388**	**647,628**	**263,952**	**253,911**	**174,184**	**12,496**	**40,941**	**2,694,656**	**1,194,447**

Hong Leong Investment Bank Berhad
(Formerly known as MIMB Investment Bank Berhad)
Company no: 10209-W
(Incorporated in Malaysia)

Notes to the financial statements
for the financial year ended 30 June 2013

41 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Bank 30.06.2012	Short term funds and deposits and placements with financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	760	198	-	958	241
Electricity, gas and water	-	-	-	-	-	-	-	11	-	11	-
Construction	-	-	-	-	-	-	636	9,041	-	9,677	2,364
Wholesale and retail	-	-	-	-	-	-	-	-	-	-	-
Transport, storage and communications	-	-	-	-	-	-	-	-	-	-	-
Finance, insurance, real estate and business services	69,681	-	-	-	-	-	24,297	100	-	94,078	66,844
Government and government agencies	3	-	-	-	-	-	-	-	-	3	-
Household	-	-	-	-	-	-	41,796	-	-	41,796	103,803
Purchase of securities	-	20,089	-	-	-	-	-	-	-	20,089	-
Others	-	-	-	-	-	-	2,081	3,465	-	5,546	915
	69,684	20,089	-	-	-	-	69,570	12,815	-	172,158	174,167

41 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Bank 01.01.2011	Short term funds and deposits and placements with financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	16	1,025	-	1,041	1,983
Electricity, gas and water	-	-	-	-	-	-	389	-	389	-
Construction	-	-	-	-	-	938	293	-	1,231	2,138
Wholesale and retail	-	-	-	9,986	-	4,935	-	-	14,921	5,070
Transport, storage and communications	-	-	-	20,137	-	-	1,674	-	21,811	-
Finance, insurance, real estate and business services	34,681	-	-	20,019	-	22,810	3,239	-	80,749	200,367
Government and government agencies	21,024	-	-	-	-	-	47	-	21,071	-
Household	-	-	-	-	-	56,216	130	-	56,346	150,490
Purchase of securities	-	34,114	-	-	-	-	-	-	34,114	-
Others	-	-	-	-	-	1,147	240	-	1,387	16,851
	55,705	34,114	-	50,142	-	86,062	7,037	-	233,060	376,899

41 Financial instruments (continued)

(e) Fair value measurement

The Group and the Bank 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 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.

The Group and the Bank **30.06.2013**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial assets at fair value through profit or loss	**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**
Financial liability				
Derivative financial liabilities	**-**	**32,773**	**-**	**32,773**

The Group and the Bank
30.06.2012

Nil

41 Financial instruments (continued)

(e) Fair value measurement (continued)

The Group and the Bank **01.01.2011**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial investments available-for-sale	-	50,142	818	50,960

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**	
	30.06.2013 RM'000	**30.06.2012 RM'000**
As at 1 July/1 January	-	818
Vested from Promilia	**2,445**	-
Impairment made during the year	**(1,759)**	-
Disposal	-	(818)
As at 30 June	**686**	-

The table below summarises the carrying amounts and the fair values of those financial assets not presented in the Group's and the Company's statements of financial position at their fair values:

	The Group and the Bank	
	Carrying amount RM'000	**Fair value RM'000**
30.06.2013		
Financial asset		
Financial investments held-to-maturity	**253,911**	**258,446**

30.06.2012

Nil

01.01.2011

Nil

41 Financial instruments (continued)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions:

Short term funds and placements with banks and financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company will establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants.

Loans and advances

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual assessment allowance, being the expected recoverable amount.

Deposits and placements of other financial institutions and repurchased agreements

The estimated fair values of deposits and placements of other financial institutions and repurchased agreements with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

Clients' and brokers' balances

The carrying amount as at reporting date approximate fair values due to relatively short-term maturity of these financial instruments.

41 Financial instruments (continued)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions: (continued)

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For each deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

42 Equity compensation benefit

Executive Share Option Scheme ("ESOS" or "Scheme")

The Executive Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank's immediate holding company, HLCB, which was approved by the shareholders of HLCB on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of HLCB to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the HLCB Group to participate in the equity of HLCB.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are those executives of the HLCB Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of HLCB and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the HLCB in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of HLCB for the time being.

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of HLCB preceding the date of offer and shall in no event be less than the par value of the shares of HLCB.

42 Equity compensation benefit (continued)

Executive Share Option Scheme ("ESOS" or "Scheme") (continued)

The main features of the ESOS are, inter alia, as follows:- (continued)

5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with HLCB Group and within the option exercise period subject to any maximum limit as may be determined by the Board of HLCB under the Bye-Laws of the ESOS.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of HLCB, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Pursuant to this, a trust has been set up for the ESOS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from HLIB upon such terms and conditions as HLIB and the trustee may agree to purchase the HLCB's shares from the open market for the purposes of this trust.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Group.

The ordinary share options of HLCB granted under the ESOS are as follows:

(a) On 19 January 2011, the Bank granted 4,475,000 conditional incentive share options of HLCB shares (Affirmative Action Bonus ("AAB") Options to eligible executives of the Bank pursuant to the ESOS of the Group at exercise price of RM1.42.

The said options if vested, will be satisfied by existing shares purchased by a trust established for the ESOS.

Grant date	Vesting date	Expiry date	Vested from Promilia on 29.09.2012	Exercised	Lapsed	As at 30.06.2013
19 January 2011	18 January 2013	18 July 2013*	1,260,000	(1,260,000)	-	-
19 January 2011	19 January 2014	18 April 2014^	1,470,000	-	(140,000)	1,330,000
19 January 2011	19 January 2015	18 April 2015^	1,470,000	-	(140,000)	1,330,000
			4,200,000	(1,260,000)	(280,000)	2,660,000

* The exercise period is up to 6 months from the date of notification of entitlement ("Vesting Date").
^ The exercise period is up to 3 months from the Vesting Date.

The estimated fair value of each share option granted is between RM4.05 to RM4.10 (2012: RM0.07 to RM0.18 per option). This was calculated using the Black-Scholes model. The model inputs were the share price at reporting date of RM5.50 (2012: RM1.14), exercise price of RM1.42 (2012: RM1.42), weighted average expected volatility of 46.1% (2012: 31.9%), expected yield of 0% (2012: 0%) and a weighted average risk free interest rate of 3.3% (2012: 3.8%).

The options outstanding at reporting date had an exercise price of RM1.42 (2012: RM1.42) and weighted average remaining contractual life (from grant date to the end of exercise period) of 1 year (2012: 2 years).

42 Equity compensation benefit (continued)

Executive Share Option Scheme ("ESOS" or "Scheme") (continued)

The ordinary share options of HLCB granted under the ESOS are as follows: (continued)

(b) On 16 January 2013, the Bank granted 2,300,000 conditional incentive share options of the HLCB's shares AAB Options to eligible executives of the Bank pursuant to ESOS at exercise price of RM1.20.

Grant date	Vesting date	Expiry date	At grant date	Exercised	Lapsed	As at 30.06.2013
16 January 2013	16 January 2013	16 April 2015 ~	1,150,000	(1,150,000)	-	-
16 January 2013	16 January 2013	20 January 2016	1,150,000	(100,000)	-	1,050,000
			2,300,000	(1,250,000)	-	1,050,000

~ The exercise period is up to 3 months after the second anniversary of grant date.

The estimated fair value of each share option granted is RM4.33 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at reporting date of RM5.50, exercise price of RM1.20, expected volatility of 43.6%, expected yield of 0% and a risk free interest rate of 3.8%.

The options outstanding at reporting date had an exercise price of RM1.20 and weighted average remaining contractual life (from grant date to the end of exercise period) of 2 years.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Bank			
	30.06.2013		30.06.2012	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	**1,050**	**5,775**	-	-

43 Significant events during the financial year

(a) Increase in share capital

On 13 August 2012, the Bank increased its authorised share capital from RM500,000,000 divided into 500,000,000 shares of RM1.00 each to RM620,000,000 divided into 600,000,000 shares of RM1.00 each and 2,000,000,000 redeemable preference shares ("RPS") of RM0.01 each.

On 29 September 2012, the Bank had issued 90,000,000 new ordinary shares of RM1.00 each and 163,076,524 new RPS of RM0.01 each.

43 Significant events during the financial year (continued)

(b) Business rationalisation

On 13 August 2012, the Bank had entered into a Business Transfer Agreement with Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia"), a wholly-owned subsidiary of HLCB, for the transfer of the entire assets, liabilities, activities, business and undertakings of Promilia ("Business Undertakings") to the Bank for a provisional consideration of RM251.30 million.

The Business Undertakings was vested to the Bank on 29 September 2012 ("Vesting") pursuant to the Vesting Order granted by the High Court of Malaya. Accordingly, all of the direct subsidiaries of Promilia had, on the event day, become direct subsidiaries of the Bank.

The assets and liabilities arising from the vesting are as follows:

	Carrying amount as at vesting date	
	The Group RM'000	**The Bank RM'000**
Cash and short term funds	**201,056**	**194,327**
Net clients' and brokers' balances	**16,567**	**16,567**
Deposits and placements with banks and other financial institutions	**132,303**	**132,303**
Financial assets at fair value through profit or loss	**1,095,969**	**1,095,969**
Financial investments available-for-sale	**314,558**	**314,558**
Financial investments held-to-maturity	**264,687**	**264,687**
Loans and advances	**205,319**	**205,319**
Other assets *	**46,076**	**51,580**
Property and equipment	**6,266**	**6,266**
Investment in subsidiairies	**-**	**998**
Intangible assets	**908**	**908**
Goodwill	**28,986**	**28,986**
Deferred tax liabilities	**(4,499)**	**(4,499)**
Deposits from customer	**(788,730)**	**(788,730)**
Deposits and placements of banks and other financial institutions	**(963,054)**	**(963,054)**
Repurchased agreements	**(111,260)**	**(111,260)**
Other liabilities	**(102,799)**	**(102,824)**
Net derivative financial liabilities	**(4,468)**	**(4,468)**
Net assets vested to HLIB	**337,885**	**337,633**
Effect of predecessor accounting	**(43,777)**	**(43,506)**
Merger deficit adjusted retained earnings	**1,848**	**1,577**
Total purchase consideration	**295,956**	**295,704**
Less: Issuance of ordinary shares	**(90,000)**	**(90,000)**
Less: Issuance of Redeemable Preference Shares	**(1,631)**	**(1,631)**
Less: Cash and cash equivalent of the net assets vested	**(201,056)**	**(194,327)**
Net cash flow on the net assets vested	**3,269**	**9,746**

* Include statutory deposits with BNM and tax recoverable

43 Significant events during the financial year (continued)

(b) Business rationalisation (continued)

The consideration was satisfied in the following manner:

(a) Cash consideration of RM204,324,877;
(b) 90 million new ordinary shares of RM1.00 each in the Bank; and
(c) 163,076,524 new redeemable preference shares ("RPS") of RM0.01 each in the Bank.

(c) Change of name

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

(d) Member's voluntary winding-up

On 26 June 2013, HLIB had placed the following wholly-owned subsidiaries of HLIB under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965:

1. RC Research Sdn Bhd;
2. RC Nominees (Asing) Sdn Bhd;
3. RC Nominees (Tempatan) Sdn Bhd;
4. MIMB Nominees (Asing) Sendirian Berhad; and
5. MIMB Nominees (Tempatan) Sendirian Berhad.

44 Significant events subsequent to the financial year

There were no significant events subsequent to the financial year other than those disclosed in these financial statements.

45 Changes in accounting policies and comparatives

(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) 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 total equity, total comprehensive income/(loss) and statements of cash flows.

(a) Reconciliation of equity

The Group	**30.06.2012 RM'000**	**01.01.2011 RM'000**
Total equity as reported under FRS	174,939	276,664
Add/(Less): Transitioning adjustments:		
Effect of full adoption of MFRS 139		
- collective impairment allowances written back	793	1,115
- income tax effects	(198)	-
Total equity on transition to MFRS	175,534	277,779

The Bank	**30.06.2012 RM'000**	**01.01.2011 RM'000**
Total equity as reported under FRS	174,724	256,507
Add/(Less): Transitioning adjustments:		
Effect of full adoption of MFRS 139		
- collective impairment allowances written back	793	1,115
- income tax effects	(198)	-
Total equity on transition to MFRS	175,319	257,622

45 Changes in accounting policies and comparatives (continued)

(a) Adoption of MFRS 1 (continued)

(ii) Explanation of transition from FRSs to MFRSs (continued)

(b) Reconciliation of total comprehensive income/(loss)

	The Group 30.06.2012 RM'000	**The Bank 30.06.2012 RM'000**
Total comprehensive loss as reported under FRS	(137,194)	(117,252)
Add/(Less): Transitioning adjustments:		
Effect of full adoption of MFRS 139		
- collective impairment allowances written back	(322)	(322)
- income tax effects	(198)	(198)
Total comprehensive loss upon transition to MFRS	(137,714)	(117,772)

(c) Reconciliation of statements of cash flows

The transition from FRS to MFRS had no significant effect on the reported cash flows generated by the Group and the Bank.

(b) Change in accounting policies

<u>Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18</u>

According to FRSIC 18, although a participating organisation is required by Capital Markets and Services Act (CMSA), 2007 and Bursa Securities Rules to maintain the trust account, it does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the participating organisation. In addition, a participating organisation is prohibited under the provisions contained in Section 113 of CMSA 2007 to utilise the monies either for its own economic benefits or settlement of its own liability. The monies are also not available for distribution in the event the participating organisation is liquidated. As such, a participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. Accordingly, the trust monies should not be recognised as part of the participating organisation's asset with a corresponding liability.

Previously, monies held in trust forms part of the assets in the financial statements with a corresponding liability. Upon adoption of FRSIC 18, the monies held in trust are no longer included in the assets with corresponding liabilities in the financial statements of the Group and the Bank.

45 Changes in accounting policies and comparatives (continued)

(b) Change in accounting policies (continued)

MFRS 139 "Financial Instruments: Recognition and Measurement"

Previously, the Group applied the Amendment to FRS 139 "Financial Instruments: Recognition and Measurement", which included an additional transitional arrangement for financial sectors, whereby BNM prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, 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 effect from 1 January 2012, BNM has removed the transitional provision for banking institutions 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.

(c) Impacts on the Statements of Financial Position

The effects of the changes in accounting policy described above on the financial positions of the Group and the Bank as at 30 June 2012 and 1 January 2011 are as follows:

As at 1 January 2011 **The Group**	**As previously reported** **RM'000**	**Adoption of FRSIC Consensus 18** **RM'000**	**Full adoption of MFRS 139** **RM'000**	**As restated** **RM'000**
Assets				
Cash and short term funds	108,248	(52,255)	-	55,993
Loans and advances				
- net loans and advances	84,882	58	1,122	86,062
- 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)
Liabilities				
Clients' and brokers' balances	52,185	(31,069)	-	21,116
Other liabilities	41,755	(21,128)	-	20,627
Equity				
Retained profits	29,874	-	1,115	30,989
Total equity	276,664	-	1,115	277,779

45 Changes in accounting policies and comparatives (continued)

(c) Impacts on the Statements of Financial Position (continued)

As at 1 January 2011 **The Bank**	**As previously reported** **RM'000**	**Adoption of FRSIC Consensus 18** **RM'000**	**Full adoption of MFRS 139** **RM'000**	**As restated** **RM'000**
Assets				
Cash and short term funds	107,964	(52,255)	-	55,709
Loans and advances				
- net loans and advances	84,882	58	1,122	86,062
- 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)
Liabilities				
Clients' and brokers' balances	52,185	(31,069)	-	21,116
Other liabilities	41,713	(21,128)	-	20,585
Equity				
Retained profits	9,717	-	1,115	10,832
Total equity	256,507	-	1,115	257,622

As at 30 June 2012 **The Group**	**As previously reported** **RM'000**	**Adoption of FRSIC Consensus 18** **RM'000**	**Full adoption of MFRS 139** **RM'000**	**As restated** **RM'000**
Assets				
Cash and short term funds	106,169	(36,057)	-	70,112
Loans and advances				
- net loans and advances	59,263	9,381	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
Liabilities				
Clients' and brokers' balances	36,833	(26,676)	-	10,157
Equity				
Retained profits	(71,396)	-	595	(70,801)
Total equity	174,939	-	595	175,534

45 Changes in accounting policies and comparatives (continued)

(c) Impacts on the Statements of Financial Position (continued)

As at 30 June 2012 **The Bank**	**As previously reported RM'000**	**Adoption of FRSIC Consensus 18 RM'000**	**Full adoption of MFRS 139 RM'000**	**As restated RM'000**
Assets				
Cash and short term funds	105,750	(36,057)	-	69,693
Loans and advances				
- net loans and advances	59,263	9,381	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
Liabilities				
Clients' and brokers' balances	36,833	(26,676)	-	10,157
Equity				
Retained profits	(71,611)	-	595	(71,016)
Total equity	174,724	-	595	175,319

(d) Impacts on the Group's Income Statements for the 18 months financial period ended 30 June 2012

The Group	**As previously reported RM'000**	**Full adoption of MFRS 139 RM'000**	**As restated RM'000**
Writeback of/(allowance for) impairment on loans and advances and other losses	241	(322)	(81)
Loss before taxation	(100,510)	(322)	(100,832)
Taxation	(36,229)	(198)	(36,427)
Net loss for the financial period	(136,739)	(520)	(137,259)
Earnings per share (sen) - basic	(182.3)	(0.7)	(183.0)

45 Changes in accounting policies and comparatives (continued)

(d) Impacts on the Group's Income Statements for the 18 months financial period ended 30 June 2012 (continued)

The Bank	**As previously reported RM'000**	**Full adoption of MFRS 139 RM'000**	**As restated RM'000**
Writeback of/(allowance for) impairment on loans and advances and other losses	241	(322)	(81)
Loss before taxation	(80,570)	(322)	(80,892)
Taxation	(36,227)	(198)	(36,425)
Net loss for the financial period	(116,797)	(520)	(117,317)
Earnings per share (sen) - basic	(155.7)	(0.7)	(156.4)

46 Approval of financial statements

The financial statements were authorised for issue by the Board of Directors of the Bank in accordance with a resolution of the Directors on 29 July 2013.

Hong Leong Investment Bank Berhad
(Formerly known as MIMB Investment Bank Berhad)
Company no: 10209-W
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Lee Jim Leng, the Directors of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad), do hereby state that, in the opinion of the Directors, the financial statements set out on pages 18 to 151 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and of the results and the cash flows of the Group and the Bank for the year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965.

On behalf of the Board.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director

Lee Jim Leng
Director

Kuala Lumpur
18 September 2013

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Lau Yew Sun, the officer primarily responsible for the financial management of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad), do solemnly and sincerely declare that the financial statements set out on pages 18 to 151 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Lau Yew Sun
Kuala Lumpur in Wilayah Persekutuan on
18 September 2013.

Before me,

PESURUHJAYA SUMPAH
No: W494
LEONG SEE KEONG
MALAYSIA

34, Tingkat Bawah, Jalan Tuba,
Off Jalan Kampung Attap,
50460 Kuala Lumpur

Commissioner for Oaths

Independent Auditors' Report
to the member of Hong Leong Investment Bank Berhad
(formerly known as MIMB Investment Bank Berhad)
(Incorporated in Malaysia)
Company no: 10209-W

Report on the Financial Statements

We have audited the financial statements of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) on pages 18 to 151 which comprise the statements of financial position as at 30 June 2013 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 46.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report
to the member of Hong Leong Investment Bank Berhad
(formerly known as MIMB Investment Bank Berhad)
(Incorporated in Malaysia)
Company no: 10209-W

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur
18 September 2013