

MAYBANK INVESTMENT BANK BERHAD
(15938-H)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

<u>Group</u>	Notes	30 June 2015 RM'000	31 December 2014 RM'000
ASSETS			
Cash and short-term funds	14	517,220	554,940
Deposits and placements with financial institutions	15	61,106	34,203
Financial investments portfolio	16	327,436	331,008
Loans and advances	17	287,848	238,069
Derivative assets	20 (i)	5,916	14,754
Other assets	18	689,875	661,597
Tax recoverable		14,716	2,007
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		11,063	10,770
Property, plant and equipment		18,960	19,742
Intangible assets		14,757	15,785
Deferred tax assets		5,835	18,339
TOTAL ASSETS		1,954,837	1,901,319
LIABILITIES			
Deposits and placements from a licensed bank		568,835	392,391
Derivative liabilities	20 (ii)	31,560	23,045
Other liabilities	19	785,875	944,822
Provision for taxation and zakat		377	2,768
TOTAL LIABILITIES		1,386,647	1,363,026
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		518,074	488,177
TOTAL EQUITY		568,190	538,293
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,954,837	1,901,319
COMMITMENTS AND CONTINGENCIES	27	1,644,832	1,442,194

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

<u>Bank</u>	Notes	30 June 2015 RM'000	31 December 2014 RM'000
ASSETS			
Cash and short-term funds	14	502,095	526,132
Deposits and placements with financial institutions	15	36,586	24,162
Financial investments portfolio	16	327,436	331,008
Loans and advances	17	287,848	238,069
Derivative assets	20 (i)	5,916	14,754
Other assets	18	690,311	657,871
Tax recoverable		13,386	-
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		9,878	9,878
Property, plant and equipment		18,844	19,622
Intangible assets		14,757	15,785
Deferred tax assets		5,835	18,339
TOTAL ASSETS		2,116,256	2,058,984
LIABILITIES			
Deposits and placements from a licensed bank		568,835	392,391
Derivative liabilities	20 (ii)	31,560	23,045
Other liabilities	19	957,114	1,115,962
Provision for taxation and zakat		377	2,742
TOTAL LIABILITIES		1,557,886	1,534,140
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		508,254	474,728
TOTAL EQUITY		558,370	524,844
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,116,256	2,058,984
COMMITMENTS AND CONTINGENCIES	27	1,644,832	1,442,194

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
(15938-H)
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2015

Group	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Interest income	21	6,785	9,904	12,953	18,596
Interest expense	22	(2,308)	(2,501)	(3,983)	(3,592)
Net interest income		4,477	7,403	8,970	15,004
Net income from Islamic Banking Scheme operations	29	12,788	5,565	18,337	11,419
Non-interest income	23	76,470	107,918	147,638	195,421
Net income		93,735	120,886	174,945	221,844
Overhead expenses	24	(61,826)	(75,002)	(127,608)	(134,021)
Operating profit		31,909	45,884	47,337	87,823
Allowance for impairment on loans and advances and other debtors, net	25	(260)	(3,533)	(100)	(3,941)
Writeback of commitments and contingencies		-	500	-	500
		31,649	42,851	47,237	84,382
Share of results of a joint venture		(267)	(339)	292	(339)
Profit before taxation and zakat		31,382	42,512	47,529	84,043
Taxation and zakat		(11,306)	(23,289)	(17,334)	(23,289)
Profit for the period, attributable to equity holder of the Bank		20,076	19,223	30,195	60,754
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		40	38	60	121
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(1,443)	-	(352)	(337)
Reclassification of loss on financial investments available-for-sale to profit or loss, net		54	-	54	-
Total other comprehensive income for the period, net of tax		(1,389)	-	(298)	(337)
Total comprehensive income for the period, attributable to equity holder of the Bank		18,687	19,223	29,897	60,417

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD

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(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2015**

Bank	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Interest income	21	6,558	9,764	12,577	18,318
Interest expense	22	(2,308)	(2,501)	(3,983)	(3,592)
Net interest income		4,250	7,263	8,594	14,726
Net income from Islamic Banking Scheme operations	29	12,788	5,565	18,337	11,419
Non-interest income	23	74,792	105,164	146,545	193,214
Net income		91,830	117,992	173,476	219,359
Overhead expenses	24	(60,689)	(74,356)	(125,693)	(132,493)
Operating profit		31,141	43,636	47,783	86,866
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	25	(260)	(3,533)	1,659	(3,941)
Writeback of commitments and contingencies		-	-	-	500
Profit before taxation and zakat		30,881	40,103	49,442	83,425
Taxation and zakat		(11,038)	(10,033)	(15,916)	(21,813)
Profit for the period, attributable to equity holder of the Bank		19,843	30,070	33,526	61,612
Total comprehensive income for the period, attributable to equity holder of the Bank		19,843	30,070	33,526	61,612

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2015

<u>Group</u>	←-----Non-distributable-----→						Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000		
At 1 January 2015	50,116	172,669	50,116	-	(24,677)	997	289,072	538,293	
Reclassification (Note 31)	-	-	-	-	24,623	(21)	(24,602)	-	
	50,116	172,669	50,116	-	(54)	976	264,470	538,293	
Profit for the period	-	-	-	-	-	-	30,195	30,195	
Other comprehensive income	-	-	-	-	54	(352)	-	(298)	
Total comprehensive income for the period	-	-	-	-	54	(352)	30,195	29,897	
Transfer to regulatory reserve	-	-	-	3,454	-	-	(3,454)	-	
At 30 June 2015	50,116	172,669	50,116	3,454	-	624	291,211	568,190	
At 1 January 2014	50,116	172,669	50,116	-	(24,677)	(82)	404,195	652,337	
Profit for the period	-	-	-	-	-	-	60,754	60,754	
Other comprehensive income	-	-	-	-	-	(337)	-	(337)	
Total comprehensive income for the period	-	-	-	-	-	(337)	60,754	60,417	
Dividends	-	-	-	-	-	-	(130,000)	(130,000)	
At 30 June 2014	50,116	172,669	50,116	-	(24,677)	(419)	334,949	712,754	

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2015

<u>Bank</u>	<-----Non-distributable----->				Distributable Retained earnings	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000		
At 1 January 2015	50,116	172,669	50,116	-	251,943	524,844
Profit for the period	-	-	-	-	33,526	33,526
Total comprehensive income for the period	-	-	-	-	33,526	33,526
Transfer to regulatory reserve	-	-	-	3,454	(3,454)	-
At 30 June 2015	50,116	172,669	50,116	3,454	282,015	558,370
At 1 January 2014	50,116	172,669	50,116	-	370,042	642,943
Profit for the period	-	-	-	-	61,612	61,612
Total comprehensive income for the period	-	-	-	-	61,612	61,612
Dividends	-	-	-	-	(130,000)	(130,000)
At 30 June 2014	50,116	172,669	50,116	-	301,654	574,555

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2015

	Group		Bank	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Profit before taxation and zakat	47,529	84,043	49,442	83,425
Adjustment for non-operating and non-cash items	(6,274)	(1,565)	(8,541)	(744)
Operating profit before working capital changes	41,255	82,478	40,901	82,681
Changes in working capital:				
Net changes in operating assets	(17,109)	(571,351)	(3,872)	(572,210)
Net changes in operating liabilities	22,828	777,430	22,927	775,006
Taxation and zakat paid, net	(19,930)	(13,562)	(19,163)	(11,876)
Net cash generated from operating activities	27,044	274,995	40,793	273,601
Net cash used in investing activities	(2,119)	(5,324)	(2,185)	(5,324)
Net cash used in financing activity - dividends paid	(62,645)	(130,000)	(62,645)	(130,000)
Net (decrease)/increase in cash and cash equivalents	(37,720)	139,671	(24,037)	138,277
Cash and cash equivalents at beginning of the period	554,940	344,343	526,132	310,464
Cash and cash equivalents at end of the period	517,220	484,014	502,095	448,741

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

1. Basis of Preparation

The unaudited condensed interim financial statements of the Group and of the Bank have been prepared under the historical cost convention except for the following assets and liabilities that are stated at fair values: financial assets at fair value through profit or loss, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2014.

The unaudited condensed interim financial statements include those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to capital market and stockbroking activities under the principles of Shariah.

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2014 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) with effective date of 1 January 2015:

- Amendments to MFRS 119: Defined Benefits Plan: Employee Contributions
- Annual improvements to MFRSs 2010-2012 Cycle
- Annual improvements to MFRSs 2011-2013 Cycle

The adoption of the above amendments to MFRSs would not have any material impact to the Group's and the Bank's financial performance.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014 were prepared in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2014.

3. Significant Accounting Estimates and Judgements

The preparation of unaudited condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may differ.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 2014.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2014 was not qualified.

5. Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the second quarter ended 30 June 2015.

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6. Unusual Items Due to Their Nature, Size or Incidence

During the second quarter ended 30 June 2015, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

7. Changes in Estimates

There were no material changes in estimates during the second quarter ended 30 June 2015.

8. Changes in Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and the Bank during the second quarter ended 30 June 2015.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the second quarter ended 30 June 2015.

10. Dividends

(i) Dividend Paid

Second interim dividend in respect of the financial year ended 31 December 2014, comprising of a single-tier dividend of approximately RM1.25 on 50,116,000 ordinary shares and a dividend in-specie of 2,100,000 ordinary shares in Cagamas Holdings Berhad at a fair value of RM84,483,000, amounting to RM147,027,768 was approved on 10 December 2014. On 13 March 2015, the single-tier dividend was paid and the dividend in-specie was distributed.

(ii) Proposed Dividend

The Board of Directors have proposed a single-tier interim dividend in respect of the financial year ending 31 December 2015 of approximately RM0.60 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM30,169,832.

11. Significant and Subsequent Events

(i) Liquidation of Mayban Securities (HK) Ltd. (MSHK)

MSHK was placed under members' voluntary liquidation on 1 April 2014 and had its final meeting on 15 May 2015. MSHK is wholly owned by Maysec Sdn. Bhd. and the Bank is its ultimate holding company. MSHK was previously engaged in the business of dealing in securities and acts as securities broker. The liquidation of MSHK was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank. The dissolution of MSHK did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ending 31 December 2015.

(ii) Liquidation of Maysec (KL) Sdn. Bhd. (Maysec (KL))

Maysec (KL) was placed under members' voluntary liquidation on 24 July 2014 and had its final meeting on 29 June 2015. Maysec (KL) is wholly owned by Maysec Sdn. Bhd. and the Bank is its ultimate holding company. Maysec (KL) was previously engaged in the business of dealing in securities and acts as securities broker and has been dormant since 2006. The liquidation of Maysec (KL) was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank. The dissolution of Maysec (KL) did not have any material effect on the earnings or assets of the Group and of the Bank for the year financial year ending 31 December 2015.

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12. Performance Review

For the period ended 30 June 2015, the Group recorded a lower operating profit compared to the last period due to the reduction in number of investment banking deals and challenging economic environment. Operating profit dipped by 46.1% from RM87.8 million to RM47.3 million.

The net interest income reduced by 40.2% to RM9.0 million. Non-interest income decreased by 24.5% from RM195.4 million to RM147.6 million due to lower fee-based income from investment banking and stockbroking business. The Islamic Banking income increased by 60.6% from RM11.4 million. The net income recorded a decline by 21.1% or RM46.9 million to RM174.9 million.

Overhead expenses reduced slightly by 4.7% or RM6.4 million to RM127.6 million from RM134.0 million. This was mainly attributable to lower personnel expenses and administration and general expenses.

The Group's profit before taxation and zakat declined by 43.4% or RM36.5 million from RM84.0 million to RM47.5 million. Profit for the period decreased by 50.3% or RM30.6 million to RM30.2 million compared to the previous period.

13. Prospects

Amid current volatility, the global Gross Domestic Product ("GDP") is expected to grow at a slightly lower growth of 3.3% in 2015 (3.4% in 2014) as sustained growth and recovery momentum in the major advanced economies are tempered by the downside risks from the large emerging economies. While US growth appears to be holding up well, China's growth rate shows signs of struggling to maintain its targeted growth rate of 7%. In line with this, the ASEAN-6 economies are projected to have a real GDP growth of 4.6% (4.5% in 2014) amid a relatively firmer growth in the Philippines, Thailand and Vietnam. On the other hand, Malaysia, Singapore and Indonesia are all forecasted to slow down.

Malaysia's real GDP growth is anticipated to slow to 4.9% in 2015 (6.0% in 2014) with lower commodity prices (oil, palm oil and rubber in particular) and the short-term impact of the introduction of Goods and Services Tax in April. With the slowing domestic demand, Bank Negara Malaysia is likely to keep the Overnight Policy Rate unchanged at 3.25%.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance for the financial year ending 31 December 2015.

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14. Cash and short-term funds

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Cash and bank balances with financial institutions	179,345	183,956	173,990	164,148
Deposit placements maturing within one month	337,875	370,984	328,105	361,984
Total	517,220	554,940	502,095	526,132

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM 146,682,000 (2014: RM162,697,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

15. Deposits and placements with financial institutions

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Licensed bank	61,106	34,203	36,586	24,162

16. Financial investments portfolio

		Group and Bank	
		30 June 2015 RM'000	31 December 2014 RM'000
Financial assets at fair value through profit or loss	(i)	287,958	207,047
Financial investments available-for-sale	(ii)	39,445	123,928
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		327,436	331,008

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

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
At fair value		
Quoted financial investments:		
Shares in Malaysia	246,059	184,807
Shares outside Malaysia	1,995	2,000
	248,054	186,807
Unquoted financial investments:		
Private debt securities in Malaysia	39,904	20,240
Total financial assets at fair value through profit or loss	287,958	207,047

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial investments:		
Shares and loan stocks in Malaysia	39,445	123,928
Total financial investments available-for-sale	<u>39,445</u>	<u>123,928</u>

(iii) Financial investments held-to-maturity

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
At amortised cost		
Unquoted financial investments:		
Private debt securities in Malaysia	33	33
Total financial investments held-to-maturity	<u>33</u>	<u>33</u>

17. Loans and advances

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
Term loans		
- Syndicated term loan	6,447	6,447
Amount due from brokers and clients		
- Margin accounts	263,494	215,928
Foreign currency loans	3,622	3,353
Staff loans	20,552	18,608
Gross loans and advances	<u>294,115</u>	<u>244,336</u>
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,267)	(6,267)
Net loans and advances	<u>287,848</u>	<u>238,069</u>

(i) Loans and advances analysed by type of customer are as follows:

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
Domestic business enterprises	38,942	28,525
Individuals	249,569	211,125
Foreign entities	5,604	4,686
Gross loans and advances	<u>294,115</u>	<u>244,336</u>

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17. **Loans and advances (Cont'd)**

(ii) **Loans and advances analysed by interest rate sensitivity are as follows:**

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
Fixed rate		
- Housing loans	10,938	10,841
- Hire purchase receivables	9,387	7,479
- Other fixed rate loans	10,296	10,088
Variable rate		
- BLR/BR-plus	263,494	215,928
Gross loans and advances	294,115	244,336

(iii) **Loans and advances analysed by economic purpose are as follows:**

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
Purchase of securities	263,494	215,928
Purchase of transport vehicles	9,387	7,479
Purchase of residential landed property	10,938	10,841
Personal use	227	288
Working capital	10,069	9,800
Gross loans and advances	294,115	244,336

(iv) **The maturity structure of loans and advances are as follows:**

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
Maturing within one year	270,333	226,199
One year to three years	1,441	1,828
Three years to five years	6,517	5,212
After five years	15,824	11,097
Gross loans and advances	294,115	244,336

(v) **Movements in impaired loans and advances are as follows:**

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
At 1 January	7,001	7,015
Recovered/regularised during the period/year	(7)	(14)
Gross impaired loans and advances	6,994	7,001
Less: Individual assessment allowance	(6,267)	(6,267)
Balance at end of period/year	727	734
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.25%	0.31%

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17. Loans and advances (Cont'd)

(vi) Impaired loans and advances analysed by economic purpose are as follows:

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	391	398
Working capital	6,447	6,447
Gross impaired loans and advances	6,994	7,001

(vii) Movements in the individual assessment allowance are as follows:

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
At 1 January/balance at end of period/year	6,267	6,267

18. Other assets

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	645,777	593,345	645,777	593,345
Amount due from ultimate holding company	7,607	7,103	7,607	7,103
Other debtors, deposits and prepayment	50,892	74,589	46,981	68,894
	704,276	675,037	700,365	669,342
Less: Allowance for impairment losses	(14,401)	(13,440)	(10,054)	(11,471)
	689,875	661,597	690,311	657,871

(a) Amount due from brokers and clients relate to outstanding purchase contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

19. Other liabilities

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Provisions and accruals	35,486	98,371	35,295	98,066
Amount due to brokers and clients (a)	578,806	566,849	578,806	566,849
Deposits and other creditors	171,583	279,602	343,013	451,047
	785,875	944,822	957,114	1,115,962

(a) Amount due to brokers and clients represent net amount payable to margin and non-margin clients, which include outstanding sales contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

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20. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	30 June 2015		31 December 2014	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Index futures				
- Less than one year	23,837	214	-	-
Equity options				
- One year to three years	181,328	36	-	-
Equity swaps				
- Less than one year	143,019	5,666	97,572	14,754
	<u>348,184</u>	<u>5,916</u>	<u>97,572</u>	<u>14,754</u>

(ii) Derivative liabilities

	Group and Bank			
	30 June 2015		31 December 2014	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Equity options				
- Less than one year	144,662	16,456	168,214	20,926
- One year to three years	-	-	180,715	66
Equity swaps				
- Less than one year	49,556	15,104	42,032	2,053
	<u>194,218</u>	<u>31,560</u>	<u>390,961</u>	<u>23,045</u>

(iii) The Group and the Bank have recognised the fair value changes on the derivative financial instruments as follows (Note 23):

	Group and Bank			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Equity related derivatives:				
Index futures	330	(22)	214	-
Equity options	(15,445)	8,073	(30,901)	11,696
	<u>(15,115)</u>	<u>8,051</u>	<u>(30,687)</u>	<u>11,696</u>

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21. Interest income

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
<u>Group</u>				
Loans and advances				
- Interest income other than on impaired loans	5,035	7,026	9,571	13,902
- Interest income on impaired loans	28	24	56	44
Money at call and deposits and placements with financial institutions	1,627	2,800	3,166	4,155
Financial assets at fair value through profit or loss	-	-	-	391
Others	95	54	160	104
Total interest income	6,785	9,904	12,953	18,596

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
<u>Bank</u>				
Loans and advances				
- Interest income other than on impaired loans	5,035	7,026	9,571	13,902
- Interest income on impaired loans	28	24	56	44
Money at call and deposits and placements with financial institutions	1,400	2,660	2,790	3,877
Financial assets at fair value through profit or loss	-	-	-	391
Others	95	54	160	104
Total interest income	6,558	9,764	12,577	18,318

22. Interest expense

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
<u>Group and Bank</u>				
Deposits and placements from a licensed bank	2,308	2,501	3,983	3,592

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23. **Non-interest income**

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Fee and commission income:				
Arranger and upfront fees	8,760	24,630	19,929	63,871
Brokerage income	40,267	52,846	80,410	90,597
Corporate advisory fees	2,951	5,836	8,086	8,492
Placement and related fees	8,409	13,573	8,582	14,773
Underwriting commission	1,035	771	2,189	771
Others	2,956	3,263	8,025	6,217
	64,378	100,919	127,221	184,721
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(6,107)	(3,593)	3,302	(4,747)
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	11,958	(1,457)	11,042	(1,921)
Realised gain from sale of derivative financial instruments, net	17,924	3,453	30,886	3,937
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(15,115)	8,051	(30,687)	11,696
Realised (loss)/gain from sale of financial investments available-for-sale, net	(54)	12	(54)	905
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	70	40	74	355
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	159	74	485	119
- Quoted outside Malaysia	-	37	-	41
	8,835	6,617	15,048	10,385
Other income:				
Foreign exchange gain/(loss), net	2,964	203	4,551	(428)
Gain from disposal of property, plant and equipment	62	11	286	66
Others	231	168	532	677
	3,257	382	5,369	315
Total non-interest income	76,470	107,918	147,638	195,421

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23. **Non-interest income (Cont'd)**

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bank				
Fee and commission income:				
Arranger and upfront fees	8,760	24,630	19,929	63,871
Brokerage income	40,267	52,846	80,410	90,597
Corporate advisory fees	2,626	3,291	7,686	5,284
Placement and related fees	8,409	13,573	8,582	14,773
Underwriting commission	1,035	771	2,189	771
Others	2,956	3,263	8,025	6,217
	64,053	98,374	126,821	181,513
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(6,107)	(3,593)	3,302	(4,747)
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	11,958	(1,457)	11,042	(1,921)
Realised gain from sale of derivative financial instruments, net	17,924	3,453	30,886	3,937
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(15,115)	8,051	(30,687)	11,696
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	70	40	74	355
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	159	74	485	119
- Quoted outside Malaysia	-	37	-	41
	8,889	6,605	15,102	9,480
Other income:				
Foreign exchange gain/(loss), net	1,106	5	3,383	(691)
Gain from disposal of property, plant and equipment	62	11	286	66
Others	682	169	953	2,846
	1,850	185	4,622	2,221
Total non-interest income	74,792	105,164	146,545	193,214

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24. Overhead expenses

Group	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	35,922	46,691	72,229	81,878
- Pension costs - defined contribution plan	4,384	4,078	8,985	8,057
- Employees' Share Scheme expenses	2,069	2,568	4,247	4,455
- Other staff related expenses	3,682	1,900	5,537	3,373
	46,057	55,237	90,998	97,763
Establishment costs				
- Depreciation of property, plant and equipment	1,469	1,283	2,878	2,513
- Amortisation of computer software	998	645	1,892	1,269
- Rental	2,747	2,708	5,615	5,432
- Repairs and maintenance of property, plant and equipment	2,303	1,532	4,773	3,799
- Information technology expenses	2,972	4,407	6,366	5,596
- Service chargeback	(445)	(5,481)	(5,718)	(9,879)
- Others	608	520	1,221	1,006
	10,652	5,614	17,027	9,736
Marketing costs				
- Advertisement and publicity	424	2,498	5,398	5,176
- Others	2,390	1,991	4,511	4,217
	2,814	4,489	9,909	9,393
Administration and general expenses				
- Fee and brokerage	255	8,002	6,189	14,467
- Administrative expenses	1,076	890	1,975	1,836
- General expenses	972	770	1,510	826
	2,303	9,662	9,674	17,129
Total overhead expenses	61,826	75,002	127,608	134,021

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24. **Overhead expenses (Cont'd)**

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bank				
Personnel expenses				
- Salaries, allowances and bonuses	35,922	46,691	72,229	81,878
- Pension costs - defined contribution plan	4,384	4,078	8,985	8,057
- Employees' Share Scheme expenses	2,069	2,568	4,247	4,455
- Other staff related expenses	3,664	1,899	5,518	3,372
	46,039	55,236	90,979	97,762
Establishment costs				
- Depreciation of property, plant and equipment	1,465	1,279	2,870	2,505
- Amortisation of computer software	998	645	1,892	1,269
- Rental	2,747	2,708	5,615	5,432
- Repairs and maintenance of property, plant and equipment	2,303	1,532	4,772	3,798
- Information technology expenses	2,972	4,407	6,366	5,596
- Service chargeback	(3,669)	(6,080)	(7,477)	(11,345)
- Others	608	520	1,221	1,006
	7,424	5,011	15,259	8,261
Marketing costs				
- Advertisement and publicity	422	2,498	5,398	5,176
- Others	2,391	1,994	4,514	4,226
	2,813	4,492	9,912	9,402
Administration and general expenses				
- Fee and brokerage	2,399	7,972	6,127	14,408
- Administrative expenses	1,070	876	1,954	1,835
- General expenses	944	769	1,462	825
	4,413	9,617	9,543	17,068
Total overhead expenses	60,689	74,356	125,693	132,493

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25. (Allowance for)/writeback of impairment on loans and advances and other debtors, net

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bad debts recovered	64	382	861	396
Allowance for impairment on other debtors, net	(324)	(3,915)	(961)	(4,337)
Total	(260)	(3,533)	(100)	(3,941)

<u>Bank</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bad debts recovered	14	382	361	396
Writeback of/(allowance for) impairment on other debtors, net	(274)	(3,915)	1,298	(4,337)
Total	(260)	(3,533)	1,659	(3,941)

26. Capital adequacy

(I) Capital Adequacy Framework

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiaries companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank.

Under the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Commitments) issued on 28 November 2012 on the computation of capital and capital adequacy ratios, the minimum capital adequacy ratios based on transitional arrangements are set out as follows:

Calendar Year	Common Equity Tier 1 ("CET1") Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
2013	3.500%	4.500%	8.000%
2014	4.000%	5.500%	8.000%
2015 onwards	4.500%	6.000%	8.000%

Total risk-weighted assets ("RWA") shall be calculated as the sum of credit RWA, market RWA, operational RWA and large exposure risk requirements as determined in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued by BNM on 28 November 2012.

Any exposures which are deducted in the calculation of CET1 Capital, Tier 1 Capital and Total Capital shall not be subject to any further capital charges in the computation of RWA.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.000% for the Total Capital Ratio.

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26. Capital adequacy (Cont'd)

(I) Capital Adequacy Framework (Cont'd)

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

	Group %	Bank %
<u>At 30 June 2015</u>		
CET1 capital ratio	30.383	28.442
Tier 1 capital ratio	30.383	28.442
Total capital ratio	<u>30.383</u>	<u>28.442</u>
<u>At 31 December 2014</u>		
CET1 capital ratio	30.902	28.726
Tier 1 capital ratio	30.902	28.726
Total capital ratio	<u>30.902</u>	<u>28.726</u>

The components of capital of the Group and of the Bank are as follows:

	Group RM'000	Bank RM'000
<u>At 30 June 2015</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	<u>291,835</u>	<u>282,015</u>
CET1 capital before regulatory adjustments	564,736	554,916
Less: Deferred tax assets	(5,835)	(5,835)
Intangible assets	(14,757)	(14,757)
Investment in subsidiaries and joint venture ¹	(7,609)	(38,208)
Liquidity reserve ²	(80)	(80)
CET1 capital/Tier 1 capital	<u>536,455</u>	<u>496,036</u>
Tier 2 capital		
Regulatory reserve	3,454	3,454
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	<u>(3,454)</u>	<u>(3,454)</u>
Tier 2 capital	-	-
Total capital	<u>536,455</u>	<u>496,036</u>
<u>At 31 December 2014</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	<u>265,392</u>	<u>251,943</u>
CET1 capital before regulatory adjustments	538,293	524,844
Less: Deferred tax assets	(18,339)	(18,339)
Intangible assets	(15,785)	(15,785)
Investment in subsidiaries and joint venture ¹	(10,770)	(41,662)
Liquidity reserve ²	(20)	(20)
CET1 capital/Tier 1 capital/Total capital	<u>493,379</u>	<u>449,038</u>

¹ Excludes the cost of investment in a subsidiary, Maysec Sdn. Bhd. of RM171,475,000 as its business, assets and liabilities had been transferred to the Bank on 30 December 2006.

² This is reserve for less liquid positions as per Bank Negara Malaysia Guidelines.

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26. Capital adequacy (Cont'd)

(II) The breakdown of RWA by exposures in each major risk category are as follows:

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 June 2015				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	260,988	260,988	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	468,667	468,667	94,985	7,599
Corporates	16,967	16,967	14,677	1,174
Regulatory retail	124,532	124,532	119,419	9,554
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	89,988	89,988	77,186	6,175
Total on-balance sheet exposures	1,000,587	1,000,587	365,435	29,235
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	985,012	985,012	659	53
Total off-balance sheet exposures	985,012	985,012	659	53
Total on and off-balance sheet exposures	1,985,599	1,985,599	366,094	29,288
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	229,861	18,389
Equity position risk	-	-	19,582	1,567
Foreign currency risk	-	-	89,750	7,180
Options risk	-	-	202,476	16,198
Total	-	-	541,669	43,334
(iii) <u>Operational Risk</u>				
	-	-	857,853	68,628
Total RWA and capital requirements	1,985,599	1,985,599	1,765,616	141,250

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26. Capital adequacy (Cont'd)

(II) The breakdown of RWA by exposures in each major risk category are as follows (Cont'd):

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
31 December 2014				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	343,466	343,466	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	414,604	414,604	85,070	6,806
Corporates	29,820	16,877	14,727	1,178
Regulatory retail	212,416	91,269	86,962	6,957
Higher risk assets	39,448	39,448	59,172	4,734
Other assets	274,091	274,091	191,988	15,359
Total on-balance sheet exposures	1,313,845	1,179,755	437,919	35,034
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	923,661	923,661	376	30
Total off-balance sheet exposures	953,661	953,661	3,376	270
Total on and off-balance sheet exposures	2,267,506	2,133,416	441,295	35,304
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	19,271	1,542
Equity position risk	-	-	26,113	2,089
Foreign currency risk	-	-	87,881	7,030
Options risk	-	-	37,396	2,992
Total	-	-	170,661	13,653
(iii) <u>Operational Risk</u>				
	-	-	984,627	78,770
Total RWA and capital requirements	2,267,506	2,133,416	1,596,583	127,727

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26. **Capital adequacy (Cont'd)**

(II) The breakdown of RWA by exposures in each major risk category are as follows (Cont'd):

<u>Bank</u>	Gross exposures	Net Exposures	Risk-weighted assets	Capital requirements
30 June 2015	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	260,988	260,988	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	429,023	429,023	87,057	6,965
Corporates	16,967	16,967	14,677	1,174
Regulatory retail	124,531	124,531	119,417	9,553
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	90,306	90,306	77,506	6,200
Total on-balance sheet exposures	961,260	961,260	357,825	28,625
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	985,012	985,012	659	53
Total off-balance sheet exposures	985,012	985,012	659	53
Total on and off-balance sheet exposures	1,946,272	1,946,272	358,484	28,678
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	229,861	18,389
Equity position risk	-	-	19,582	1,567
Foreign currency risk	-	-	85,018	6,801
Options risk	-	-	202,476	16,198
Total	-	-	536,937	42,955
(iii) <u>Operational Risk</u>				
	-	-	848,618	67,889
Total RWA and capital requirements	1,946,272	1,946,272	1,744,039	139,522

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26. Capital adequacy (Cont'd)

(II) The breakdown of RWA by exposures in each major risk category are as follows (Cont'd):

<u>Bank</u>	Gross exposures RM'000	Net Exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
31 December 2014				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	343,466	343,466	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	375,778	375,778	77,305	6,184
Corporates	29,820	16,877	14,727	1,178
Regulatory retail	212,415	91,269	86,962	6,957
Higher risk assets	39,448	39,448	59,172	4,734
Other assets	270,224	270,224	188,122	15,050
Total on-balance sheet exposures	1,271,151	1,137,062	426,288	34,103
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	923,661	923,661	376	30
Total off-balance sheet exposures	953,661	953,661	3,376	270
Total on and off-balance sheet exposures	2,224,812	2,090,723	429,664	34,373
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	19,271	1,542
Equity position risk	-	-	26,113	2,089
Foreign currency risk	-	-	81,182	6,495
Options risk	-	-	37,396	2,992
Total	-	-	163,962	13,118
(iii) <u>Operational Risk</u>				
	-	-	969,551	77,564
Total RWA and capital requirements	2,224,812	2,090,723	1,563,177	125,055

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27. Commitments and contingencies

Group and Bank	As at 30 June 2015			As at 31 December 2014		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
<u>Credit-related</u>						
Obligations under underwriting agreements	117,418	58,709	161,450	30,000	15,000	3,000
Revocable commitments to extend credit:						
- Maturity not exceeding one year	983,694	-	-	922,908	-	-
- Maturity exceeding one year	1,318	659	659	753	376	376
	1,102,430	59,368	162,109	953,661	15,376	3,376
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	361,074	-	-	307,818	-	-
- One year to less than three years	181,328	-	-	180,715	-	-
	542,402	-	-	488,533	-	-
Total commitments and contingencies	1,644,832	59,368	162,109	1,442,194	15,376	3,376

* The credit equivalent amount is arrived at using the credit evaluation conversion factor as per Bank Negara Malaysia's guideline.

Contingent liabilities

The Group and the Bank are aggressively defending all of the claims under litigation, through their solicitors, the outcomes of which are subject matter for the Courts to eventually determine.

Case 1

On 5 November 2012, four (4) holders of a bond ("Bondholders") issued by a company filed a claim against the Bank and five (5) other defendants to recover their losses arising from the limited recovery made by the Bondholders following the default of the company's bonds. The claims by the Bondholders, inter alia, include the sum of RM156.3 million or any other sum that the Court deems fit.

Following an order in terms of a joinder application by two (2) applicants to be added as 5th and 6th plaintiffs to the suit, the quantum of the claim increased from RM156.3 million to RM177.3 million to reflect the 5th and 6th plaintiffs' respective claims. On 17 September 2014, a 7th plaintiff was added and joined to the suit with no change to the quantum claimed of RM177.3 million.

For the period of 25 November 2014 to 16 July 2015, there have been 36 days of trial thus far. The case is fixed for continued trial on 28 August 2015 and 2 September to 4 September 2015.

The Bank's solicitors are of the view that the Bank has a more than an even chance of succeeding in defending against the claim.

Case 2

In 2005, a corporate borrower ("Borrower") filed a claim against the Bank, as the agent of a syndicate of lenders, for loss and damage arising from alleged breach of duty and obligations owed by the Bank and the syndicate lenders to the Borrower in relation to various actions taken or omitted to be taken in disbursements and transactions under a syndicated facility. The syndicated facility consisted of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million ("Facilities") which were granted by the Bank and a syndicate of three (3) lenders ("Lenders").

In 2006, the Bank and the Lenders filed a suit against the Borrower and a guarantor of the Facilities for recovery of the amounts outstanding under the Facilities. The two claims were then consolidated and heard together.

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (Cont'd)

On 6 May 2009, the High Court entered judgement against the Bank as agent for the Lenders and the Lenders for, inter alia, special damages in the sum of RM115.5 million with interest at 6% per annum, with the balance of the Borrower's claim (including general damages) ordered to be assessed at a later date ("judgement"). In the same judgement, the recovery action by the Bank and the Lenders was dismissed with costs. The Bank, as agent for the Lenders, would seek contribution from the Lenders for any judgement sums paid.

The Bank and the Lenders appealed to the Court of Appeal against the judgement ("Appeal"). In the interim, on 24 June 2009, a stay of the judgement was granted pending disposal of the Appeal. The Appeal came up for hearing on 10 February 2012, wherein all parties agreed for the matter to be mediated. At the mediation of the matter on 9 March 2012, the parties could not come to any consensus and consequently, the Appeal was fixed for hearing which was concluded on 23 January 2013.

On 27 September 2013, the Court of Appeal allowed the Appeal and set aside the judgement. The Court of Appeal also entered judgement against the Borrower and the guarantor for the sum of RM47.2 million as well as the Bank's annual fees of RM50,000 as at 30 September 2008, both with interest thereon, together with costs of RM120,000.

The Borrower and the guarantor subsequently filed a motion to the Federal Court for leave to appeal to the Federal Court against the decision of the Court of Appeal ("Leave Application"). On 29 January 2014, the Federal Court dismissed the Leave Application with costs of RM30,000.

On 20 November 2014, the Borrower and the guarantor filed a motion to the Federal Court for the Federal Court to review and set aside its own decision in dismissing the Leave Application ("Review Application").

In the meantime, separately and upon appeal of 3rd parties, on 22 January 2015, the Borrower was wound up by an order of the Court of Appeal and the Official Receiver was appointed liquidator. On 3 March 2015, the Court of Appeal allowed for a stay of the winding-up order pending outcome of the Borrower's motion to the Federal Court for leave to appeal against the winding-up order. As such, the Borrower may proceed with the Review Application notwithstanding the winding-up order.

The hearing of the Review Application has been adjourned several times at the request of the Borrower. During the case management on 18 August 2015, the Court fixed the hearing of the Review Application on 3 December 2015.

Case 3

The Bank and 4 other financial institutions (collectively known as "the Banks") are holders of 48.54% of the Redeemable Convertible Secured Notes ("the Notes") issued by a company ("the Borrower"). The Notes are secured by various security including charges over lands granted by the Borrower and other 3rd parties in favour of the trustee for the Banks ("the Trustee"). Upon the Borrower's default of its payment obligations, the Banks commenced action to recover the sums due under the Notes. Subsequently, a company ("the 1st Defendant") and an individual ("the 2nd Defendant") (collectively known as "the Defendants") agreed to resolve the claims of the Banks with the 1st Defendant agreeing to purchase from the Banks all the Notes held by the Banks at a total purchase price of RM146,458,246.20. The Banks and the 1st Defendant entered into a Sale and Purchase Agreement in August 2014 ("the SPA") and the 2nd Defendant executed a guarantee in favour of the Banks guaranteeing all sums due under the SPA.

The Defendants subsequently defaulted on their payment obligations under the SPA and on 5 June 2015, the Banks commenced action against the Defendants for specific performance of the SPA or in the alternative, damages for breach of the SPA (as against the 1st Defendant) and for the balance purchase price (as against the 2nd Defendant).

On 22 July 2015, by way of a counterclaim against the Banks and the Trustee, the Defendants prayed for 11 declarations against the Banks and the Trustee and among other prayers, claimed that the Defendants are entitled to the restoration of the sums of RM14,645,824.62 (10% deposit payment) and RM1 million (ex-gratia payment) paid by the 1st and 2nd Defendants respectively, being the sums forfeited by the Banks upon breach of the SPA as well as for interest, costs and damages to be assessed.

Upon the advice of the Banks' solicitors, the Banks filed an application for summary judgement against the Defendants and an application to strike out the Defendants' counterclaim on 12 August 2015. The applications are fixed for hearing on 5 October 2015. In the meantime, a case management was fixed on 21 August 2015.

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 3 (Cont'd)

Prior to case management on 21 August 2015, the Defendants had on 19 August 2015 filed an injunction application to restrain the Trustee from proceeding with foreclosure proceedings and the Bank from enforcing the Put Option Judgment pending disposal of the counterclaim action against the Banks and the Trustee. Upon the advise of the Bank's solicitors, the Banks have opposed the injunction. Following the case management on 21 August 2015, the Judge directed for early disposal of the injunction application and fixed the matter for hearing on 3 September 2015.

28. Segment information

Segment information is presented in respect of the Group's business segments.

The business segments are prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to the public.

Segment revenue, results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The Group's business segments are defined and categorised as follows:

(i) Pillar 1 - Investment banking and advisory

Investment banking and advisory focus on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services and debt restructuring advisory services.

(ii) Pillar 2 - Equities

Equities primarily engage in the shares and futures broking services and derivative financial instruments.

(iii) Others

This segment includes investment holding, nominee and custodian services.

The following table provides analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

Group	Pillar 1	Pillar 2	Others	Total
30 June 2015	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	256	8,410	304	8,970
Net income from Islamic Banking Scheme operations	15,721	2,616	-	18,337
Non-interest income	47,589	95,951	4,098	147,638
Total revenue	63,566	106,977	4,402	174,945
Results				
Segment results	63,566	106,977	4,402	174,945
Overhead expenses	(28,141)	(57,052)	(42,415)	(127,608)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(2,041)	689	1,252	(100)
Writeback of allowance for commitments and contingencies	-	-	-	-
Share of results of a joint venture	-	-	292	292
Profit before taxation	33,384	50,614	(36,469)	47,529
Taxation and zakat				(17,334)
Profit for the period				30,195

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28. Segment information (Cont'd)

The following table provides analysis of the Group's revenue, results, assets, liabilities and other information by business segments (Cont'd):

Group (Cont'd)	Pillar 1	Pillar 2	Others	Total
30 June 2015 (Cont'd)	RM'000	RM'000	RM'000	RM'000
Other segment information				
Depreciation	208	884	1,786	2,878
Amortisation	-	908	984	1,892
<hr/>				
Group	Pillar 1	Pillar 2	Others	Total
30 June 2014	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	918	13,808	278	15,004
Net income from Islamic Banking Scheme operations	8,173	3,246	-	11,419
Non-interest income	91,369	102,634	1,418	195,421
Total revenue	100,460	119,688	1,696	221,844
Results				
Segment results	100,460	119,688	1,696	221,844
Overhead expenses	(33,506)	(49,237)	(51,278)	(134,021)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(1,292)	(2,848)	199	(3,941)
Writeback of allowance for commitments and contingencies	-	-	500	500
Share of results of a joint venture	-	-	(339)	(339)
Profit before taxation	65,662	67,603	(49,222)	84,043
Taxation and zakat				(23,289)
Profit for the period				60,754
<hr/>				
Other segment information				
Depreciation	121	735	1,657	2,513
Amortisation	2	393	874	1,269
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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 June 2015

	Notes	Group and Bank	
		30 June 2015 RM'000	31 December 2014 RM'000
ASSETS			
Cash and short-term funds	(a)	12,427	2,151
Financial assets at fair value through profit or loss	(b)	39,904	20,240
Other assets	(c)	132,015	151,367
Total assets		184,346	173,758
LIABILITIES			
Other liabilities	(d)	7,587	210
Provision for taxation and zakat	(e)	12,064	10,989
Total liabilities		19,651	11,199
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		159,695	157,559
		164,695	162,559
Total liabilities and Islamic banking fund		184,346	173,758

**Unaudited Statements of Comprehensive Income
For the Second Quarter Ended 30 June 2015**

Group and Bank	Notes	Quarter Ended		Quarter Ended	
		30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Income derived from investment of Islamic banking capital funds	(f)	12,788	5,565	18,337	11,419
Income attributable to the Group and the Bank		12,788	5,565	18,337	11,419
Overhead expenses	(g)	(11,315)	(3,406)	(15,126)	(6,076)
Profit before taxation and zakat		1,473	2,159	3,211	5,343
Taxation		(368)	(730)	(803)	(1,336)
Zakat		(209)	(105)	(272)	(170)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		896	1,324	2,136	3,837

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29. Net income from Islamic Banking Scheme operations (Cont'd)

Unaudited Statements of Changes in Equity
For the Second Quarter Ended 30 June 2015

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2015	5,000	157,559	162,559
Profit for the period	-	2,136	2,136
Total comprehensive income for the period	-	2,136	2,136
At 30 June 2015	5,000	159,695	164,695
At 1 January 2014	5,000	150,777	155,777
Profit for the period	-	3,837	3,837
Total comprehensive income for the period	-	3,837	3,837
At 30 June 2014	5,000	154,614	159,614

Unaudited Statements of Cash Flows
For the Second Quarter Ended 30 June 2015

	Group and Bank	
	30 June 2015 RM'000	30 June 2014 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	3,211	5,343
Increase in financial investments portfolio	(19,664)	-
Decrease in receivables	19,352	(1,375)
Increase in payables	7,377	32
Net cash generated from operating activities	10,276	4,000
Net increase in cash and cash equivalents	10,276	4,000
Cash and cash equivalents at beginning of the period	2,151	8,894
Cash and cash equivalents at end of the period	12,427	12,894

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29. Net income from Islamic Banking Scheme operations (Cont'd)

(a) Cash and short-term funds

	Group and Bank	
	30 June 2015	31 December 2014
Cash and bank balances with financial institutions	126	51
Deposit placements maturing within one month	12,301	2,100
	12,427	2,151

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

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
At fair value		
Unquoted financial investments:		
Private debt securities in Malaysia	39,904	20,240

(c) Other assets

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
Debtors and prepayments	132,015	151,367

(d) Other liabilities

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
Provisions and accruals	7,587	210

(e) Provision for taxation and zakat

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
Taxation	11,687	10,884
Zakat	377	105
	12,064	10,989

(f) Income derived from investment of Islamic banking capital funds

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
<u>Group and Bank</u>				
Gross income from:				
- Financial assets at fair value through profit or loss	139	-	186	-
- Deposits and placements with financial institutions	50	89	194	157
Realised gain from sale of financial assets at fair value through profit or loss, net	30	206	713	954
Unrealised loss on revaluation of financial assets at fair value through profit or loss	(184)	-	(382)	-
Fee and commission income from:				
- Arranger and upfront fees	9,663	1,675	12,930	3,690
- Brokerage income	1,505	1,753	2,616	3,246
- Corporate advisory fees	25	565	25	645
- Underwriting commission	-	120	-	120
- Others	1,560	1,157	2,055	2,607
Total	12,788	5,565	18,337	11,419

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29. Net income from Islamic Banking Scheme operations (Cont'd)

(g) Overhead expenses

<u>Group and Bank</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Personnel expenses	9,719	3,047	12,978	5,500
Establishment costs				
- Service chargeback	(2,009)	(266)	(2,452)	(720)
- Other establishment costs	1,621	222	2,255	667
Marketing expenses	413	149	535	298
Administration and general expenses	1,571	254	1,810	331
Total	11,315	3,406	15,126	6,076

(h) Capital adequacy

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

	Group and Bank %
<u>At 30 June 2015</u>	
CET1 capital ratio	82.493
Tier 1 capital ratio	82.493
Total capital ratio	<u>82.493</u>
<u>At 31 December 2014</u>	
CET1 capital ratio	65.461
Tier 1 capital ratio	65.461
Total capital ratio	<u>65.461</u>

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

	Group and Bank RM'000
<u>At 30 June 2015</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	159,695
CET1 capital/Tier 1 capital/Total capital	<u>164,695</u>
<u>At 31 December 2014</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	157,559
CET1 capital/Tier 1 capital/Total capital	<u>162,559</u>

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29. Net income from Islamic Banking Scheme operations (Cont'd)

(h) Capital adequacy (Cont'd)

(III) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

<u>Group and Bank</u>				
30 June 2015	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	124	124	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	12,301	12,301	2,460	197
Other assets	384,849	384,849	112,010	8,961
Total on-balance sheet exposures	397,274	397,274	114,470	9,158
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	397,274	397,274	114,470	9,158
(ii) Market Risk				
Foreign currency risk	-	-	2	-
Profit rate risk	-	-	35,371	2,830
Total	-	-	35,373	2,830
(iii) Operational Risk				
	-	-	49,804	3,984
Total RWA and capital requirements	397,274	397,274	199,647	13,142
 <u>Group and Bank</u>				
31 December 2014	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	49	49	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	2,102	2,102	420	34
Other assets	346,697	346,697	102,022	8,162
Total on-balance sheet exposures	348,848	348,848	102,442	8,196
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	348,848	348,848	102,442	8,196
(ii) Market Risk				
Interest rate risk	-	-	19,271	1,542
Foreign currency risk	-	-	2	-
Total	-	-	19,273	1,542
(ii) Operational Risk				
	-	-	126,614	13,492
Total RWA and capital requirements	348,848	348,848	248,329	23,230

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29. Net income from Islamic Banking Scheme operations (Cont'd)

(i) Fair values of financial assets and liabilities

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date, which are considered short-term in maturity, approximate their carrying amounts as shown in the statements of financial position.

(j) Allocation of income

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework of Rate of Return" issued by Bank Negara Malaysia in October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institution in calculating and deriving the rate of return for the depositors.

(k) Shariah committee

The operation of IBS is governed by Section 28 and 29 of Islamic Financial Services Act, 2013 ("IFSA"), which stipulates that "a licensed institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah and in accordance with the advice or ruling of the Shariah Advisory Council ("SAC"), specify standards on Shariah matters in respect of the carrying on of its business, affair or activity" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as the Shariah Governance Framework ("SGF") (which supersedes the BNM/GPS 1), which stipulates that "every Islamic institution is required to establish a Shariah Committee".

Based on the above, the duties and responsibilities of the Group's and the Bank's Shariah Committee are to advise on the overall Islamic Banking Scheme operations of the Group's and the Bank's business in order to ensure compliance with the Shariah requirements.

The roles of the Shariah Committee in monitoring the Group's and the Bank's activities include:

- (i) To advise the Board on Shariah matters in its business operations;
- (ii) To endorse Shariah Compliance Manual;
- (iii) To endorse and validate relevant documentations;
- (iv) To assist related parties on Shariah matters for advice upon request;
- (v) To advise on matters to be referred to the SAC;
- (vi) To provide written Shariah opinion; and
- (vii) To assist the SAC on reference for advice.

The Group and the Bank presently have six Shariah members.

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30. Fair value of financial instruments

Fair value hierarchy

The Group and the Bank classify its financial instruments measured at fair value according to the following hierarchy, reflecting the significance of the inputs in making the fair value measurements:

(a) Level 1: Quoted prices

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

(b) Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

Refers to inputs other than quoted prices included those within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds and illiquid equities.

(c) Level 3: Valuation techniques for which significant inputs are not based on observable market data

Refers to financial instruments where fair value is measured using significant unobservable market inputs. The valuation technique is consistent with the Level 2. The chosen valuation technique incorporates the Group's and the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets, private equity investments and loans and advances priced primarily based on internal credit assessment.

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 June 2015 and 31 December 2014.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 June 2015				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	248,054	39,904	-	287,958
Derivative assets	-	5,916	-	5,916
	<u>248,054</u>	<u>45,820</u>	<u>-</u>	<u>293,874</u>
Financial liabilities measured at fair values:				
Derivative liabilities	10,960	20,600	-	31,560
	<u>10,960</u>	<u>20,600</u>	<u>-</u>	<u>31,560</u>
As at 31 December 2014				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	186,807	20,240	-	207,047
Derivative assets	-	14,754	-	14,754
	<u>186,807</u>	<u>34,994</u>	<u>-</u>	<u>221,801</u>
Financial liabilities measured at fair values:				
Derivative liabilities	14,490	8,555	-	23,045
	<u>14,490</u>	<u>8,555</u>	<u>-</u>	<u>23,045</u>

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30. Fair value of financial instruments (Cont'd)

Valuation techniques

The valuation techniques used for the financial instruments that are not determined by reference to quoted prices (Level 1), are described below:

Financial assets at fair value through profit or loss

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent broker quotations.

Derivative financial instruments

The fair values of the Group's and of the Bank's derivative financial instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

31. Reclassification

The reclassification within the Group's statements of changes in equity arose as a result of liquidation of MSHK during the period.