

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

CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

<u>Group</u>	Notes	31 December 2013 RM'000	31 December 2012 RM'000
ASSETS			
Cash and short-term funds	14	344,343	330,142
Deposits and placements with financial institutions	15	28,470	37,573
Financial assets at fair value through profit or loss	16 (i)	86,573	181,862
Financial investments available-for-sale	16 (ii)	37,630	87,527
Financial investments held-to-maturity	16 (iii)	33	33
Loans and advances	17	384,872	375,980
Derivative assets	20 (i)	-	96
Other assets	18	345,734	263,522
Tax recoverable		11,906	-
Statutory deposits with Bank Negara Malaysia		105	105
Investment in associates		-	4,718
Investment in a joint venture		10,549	-
Property, plant and equipment		20,659	16,059
Intangible assets		9,589	9,375
Deferred tax assets		22,938	17,681
TOTAL ASSETS		1,303,401	1,324,673
LIABILITIES			
Deposits and placements from a licensed bank		111,152	150,050
Derivative liabilities	20 (ii)	9,552	8,953
Other liabilities	19	529,637	407,121
Provision for taxation and zakat		723	27,244
Deferred tax liabilities		-	1,088
TOTAL LIABILITIES		651,064	594,456
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		602,221	680,101
TOTAL EQUITY		652,337	730,217
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,303,401	1,324,673
COMMITMENTS AND CONTINGENCIES			
	27	1,009,063	827,536

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

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(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

<u>Bank</u>	Notes	31 December 2013 RM'000	31 December 2012 RM'000
ASSETS			
Cash and short-term funds	14	310,464	271,642
Deposits and placements with financial institutions	15	27,173	36,312
Financial assets at fair value through profit or loss	16 (i)	86,573	181,862
Financial investments available-for-sale	16 (ii)	37,630	39,435
Financial investments held-to-maturity	16 (iii)	33	33
Loans and advances	17	384,872	375,980
Derivative assets	20 (i)	-	96
Other assets	18	343,394	263,734
Tax recoverable		10,630	-
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,269	233,269
Investment in associates		-	4,200
Investment in a joint venture		9,878	-
Property, plant and equipment		20,532	15,912
Intangible assets		9,589	9,375
Deferred tax assets		22,938	17,681
TOTAL ASSETS		1,467,080	1,449,636
LIABILITIES			
Deposits and placements from a licensed bank		111,152	150,050
Derivative liabilities	20 (ii)	9,552	8,953
Other liabilities	19	702,710	576,819
Provision for taxation and zakat		723	26,977
TOTAL LIABILITIES		824,137	762,799
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		592,827	636,721
TOTAL EQUITY		642,943	686,837
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,467,080	1,449,636
COMMITMENTS AND CONTINGENCIES			
	27	1,009,063	827,536

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

<u>Group</u>	Notes	Quarter Ended		Cumulative 12 Months Ended	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Interest income	21	11,178	9,441	41,273	37,574
Interest expense	22	(2,001)	(1,248)	(12,193)	(9,577)
Net interest income		9,177	8,193	29,080	27,997
Net income from Islamic					
Banking Scheme operations	29	16,655	5,049	49,336	123,745
Non-interest income	23	196,462	69,801	470,579	378,301
Net income		222,294	83,043	548,995	530,043
Overhead expenses	24	(98,394)	(54,647)	(301,254)	(246,350)
Operating profit		123,900	28,396	247,741	283,693
Writeback of/(allowance for) impairment on					
loans and advances and other debtors, net	25	1,444	(251)	(598)	53
Writeback of impairment on financial investments					
available-for-sale		2,573	-	2,573	-
Allowance for commitments and contingencies		-	(6,119)	(127)	(6,119)
		127,917	22,026	249,589	277,627
Share of results of associate		-	(307)	-	(4,177)
Share of results of joint venture		671	-	671	-
Profit before taxation and zakat		128,588	21,719	250,260	273,450
Taxation and zakat		(13,201)	14,437	(44,458)	(53,445)
Profit for the period/year, attributable to equity holder of the Bank		115,387	36,156	205,802	220,005
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		230	72	411	439
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		1,322	21	6,048	(1,604)
Reclassification of (gain)/loss on financial investments available-for-sale to profit or loss, net		(39,695)	1,189	(43,661)	(9,694)
Unrealised gain on revaluation of financial investments available-for-sale, net		-	5,359	-	4,393
Income tax effect		-	591	-	2,414
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, representing other comprehensive income for the period/year		(38,373)	7,160	(37,613)	(4,491)
Total comprehensive income for the period/year, attributable to equity holder of the Bank		77,014	43,316	168,189	215,514

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

<u>Bank</u>	Notes	Quarter Ended		Cumulative 12 Months Ended	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Interest income	21	10,979	9,110	40,384	36,609
Interest expense	22	(2,001)	(1,248)	(12,193)	(9,577)
Net interest income		8,978	7,862	28,191	27,032
Net income from Islamic Banking Scheme operations	29	16,655	5,049	49,336	123,745
Non-interest income	23	223,794	70,769	496,382	367,170
Net income		249,427	83,680	573,909	517,947
Overhead expenses	24	(97,097)	(53,671)	(295,056)	(243,055)
Operating profit		152,330	30,009	278,853	274,892
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	25	918	109	(1,115)	413
Writeback of impairment on financial investments available-for-sale		2,573	-	2,573	-
Allowance for impairment on investment in subsidiaries		(30,000)	-	(30,000)	-
Allowance for commitments and contingencies		-	(6,119)	(127)	(6,119)
Profit before taxation and zakat		125,821	23,999	250,184	269,186
Taxation and zakat		(16,693)	(2,737)	(48,010)	(68,440)
Profit for the period/year, attributable to equity holder of the Bank		109,128	21,262	202,174	200,746
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Reclassification of loss/(gain) on financial investments available-for-sale to profit or loss, net		-	1,189	1	(9,694)
Unrealised (loss)/gain on revaluation of financial investments available-for-sale, net		-	(8)	-	30
Income tax effect		-	591	-	2,414
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, representing other comprehensive income for the period/year		-	1,772	1	(7,250)
Total comprehensive income for the period/year, attributable to equity holder of the Bank		109,128	23,034	202,175	193,496

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

<u>Group</u>	<-----Non-distributable----->					Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve * RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
At 1 January 2013	50,116	172,669	50,116	18,984	(6,130)	444,462	730,217
Profit for the year	-	-	-	-	-	205,802	205,802
Other comprehensive income	-	-	-	(43,661)	6,048	-	(37,613)
Total comprehensive income for the year	-	-	-	(43,661)	6,048	205,802	168,189
Dividends (Note 10)	-	-	-	-	-	(246,069)	(246,069)
At 31 December 2013	50,116	172,669	50,116	(24,677)	(82)	404,195	652,337
At 1 January 2012	50,116	172,669	50,116	21,871	(4,526)	224,457	514,703
Profit for the year	-	-	-	-	-	220,005	220,005
Other comprehensive income	-	-	-	(2,887)	(1,604)	-	(4,491)
Total comprehensive income for the year	-	-	-	(2,887)	(1,604)	220,005	215,514
At 31 December 2012	50,116	172,669	50,116	18,984	(6,130)	444,462	730,217

* The statutory reserves are maintained in compliance with Financial Services Act, 2013 and are not distributable as cash dividends.

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

<u>Bank</u>	<-----Non-distributable----->				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve * RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
At 1 January 2013	50,116	172,669	50,116	(1)	413,937	686,837
Profit for the year	-	-	-	-	202,174	202,174
Other comprehensive income	-	-	-	1	-	1
Total comprehensive income for the year	-	-	-	1	202,174	202,175
Dividends (Note 10)	-	-	-	-	(246,069)	(246,069)
At 31 December 2013	50,116	172,669	50,116	-	370,042	642,943
At 1 January 2012	50,116	172,669	50,116	7,249	213,191	493,341
Profit for the year	-	-	-	-	200,746	200,746
Other comprehensive income	-	-	-	(7,250)	-	(7,250)
Total comprehensive income for the year	-	-	-	(7,250)	200,746	193,496
At 31 December 2012	50,116	172,669	50,116	(1)	413,937	686,837

* The statutory reserves are maintained in compliance with Financial Services Act, 2013 and are not distributable as cash dividends.

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Profit before taxation and zakat	250,260	273,450	250,184	269,186
Adjustment for non-operating and non-cash items	<u>(49,885)</u>	<u>(3,929)</u>	<u>(47,515)</u>	<u>(8,598)</u>
Operating profit before working capital changes	200,375	269,521	202,669	260,588
Changes in working capital:				
Net changes in operating assets	78,599	286,341	28,590	280,678
Net changes in operating liabilities	83,618	(541,825)	86,993	(539,232)
Taxation and zakat paid, net	<u>(89,230)</u>	<u>(38,220)</u>	<u>(90,151)</u>	<u>(53,903)</u>
Net cash generated from/(used in) operating activities	273,362	(24,183)	228,101	(51,869)
Net cash (used in)/generated from investing activities	(13,092)	(6,834)	56,790	(6,716)
Net cash used in financing activity - dividends paid	(246,069)	-	(246,069)	-
Net increase/(decrease) in cash and cash equivalents	14,201	(31,017)	38,822	(58,585)
Cash and cash equivalents at beginning of the year	330,142	361,159	271,642	330,227
Cash and cash equivalents at end of the year	344,343	330,142	310,464	271,642

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 audited 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 investments held-for-trading, financial investments available-for-sale and derivative financial instruments.

The audited 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 audited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012. These explanatory notes attached to the audited 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 2012.

The audited condensed interim financial statements incorporated 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 accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Bank adopted the following new and amended MFRS and IC interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

- MFRS 3 *Business Combinations*
- MFRS 10 *Consolidated Financial Statements*
- MFRS 11 *Joint Arrangements*
- MFRS 12 *Disclosure of Interests in Other Entities*
- MFRS 13 *Fair Value Measurement*
- MFRS 119 *Employee Benefits*
- MFRS 127 *Separate Financial Statements*
- MFRS 128 *Investment in Associate and Joint Venture*
- Amendments to MFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*
- Amendments to MFRS 10, MFRS 11 and MFRS 12: *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
- Annual Improvements 2009-2011 Cycle

Adoption of the above new and amended MFRSs and IC interpretations did not have any material impact to the financial statements of the Group and the Bank, except for those discussed below:

MFRS 13 *Fair Value Measurement* ("MFRS 13")

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group and the Bank re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group and of the Bank. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the year ended 31 December 2013 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS"). The significant accounting policies adopted in preparing these audited condensed interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2013 except for those as disclosed in Note 1 above.

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3. Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and the accompanying disclosures. Although these judgments and estimates are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgments and estimates are as follows:

(a) Fair Value Estimation of Financial Assets at FVTPL (Note 16 (i)), Financial Investments AFS (Note 16 (ii)) and Derivative Financial Instruments (Note 20)

The fair value of financial assets and derivatives that are not traded in an active market are determined using valuation techniques. Valuation techniques include the discounted cash flows method, options pricing models, and other relevant valuation models.

(b) Impairment of Financial Investments Portfolio

The Group and the Bank review the financial investments portfolio of financial investments AFS and financial investments HTM at each reporting date to assess whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the investments are subject to impairment review.

In carrying out the impairment review, the following management's judgment are required.

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.
- (ii) Determination of 'significant' or 'prolonged' requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

(c) Impairment of Investment in Subsidiaries and Investment in Joint Venture

The Group and the Bank assess whether there is any indication that an investment in subsidiaries and investment in joint venture may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgments made by management in the process of applying the Group's and the Bank's accounting policies in respect of investment in subsidiaries and investment in joint venture are as follows:

- (i) The Group and the Bank determine whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

Sensitivity to changes in assumptions

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

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3. Significant Accounting Estimates and Judgements (Cont'd)

(d) Deferred Tax and Income Taxes

The Group and the Bank are subject to income taxes in many jurisdictions and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 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 fourth quarter and financial year ended 31 December 2013.

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

During the fourth quarter and financial year ended 31 December 2013, 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 fourth quarter and financial year ended 31 December 2013.

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 fourth quarter and financial year ended 31 December 2013.

9. Changes in the Composition of the Group

There were no changes to the composition of the Group during the fourth quarter and financial year ended 31 December 2013, other than as disclosed in Note 11.

10. Dividends

Dividends paid for the financial year ended 31 December 2013 are as follows:

- (a) At the Annual General Meeting on 27 March 2013, a single-tier final dividend in respect of the financial year ended 31 December 2012 of RM3.52 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM176,408,320 was approved and subsequently paid to the shareholder.
- (b) On 20 August 2013, a single-tier interim dividend in respect of the financial year ending 31 December 2013 of RM1.39 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM69,661,240 was approved and subsequently paid to the shareholder.

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11. Significant and Subsequent Events

(a) Acquisition of additional Anfaal shares

The Bank had on 9 April 2012 entered into a conditional Share Purchase Agreement ("SPA") with Al Numu Real Estate Co ("Al Numu") and Anfaal Capital ("Anfaal") for the following:

- (i) Proposed acquisition of 858,499 ordinary shares of SAR10 each in Anfaal ("Anfaal Shares"), representing approximately 17.17% of the ordinary share capital of Anfaal for a cash consideration of SAR10,516,613 being SAR12.25 for each Anfaal Share; and
- (ii) Proposed assignment of the subordinated loan of SAR2,070,000 from Al Numu to the Bank.

((i) and (ii) collectively referred to as the "Proposals")

All the conditions precedent in the SPA in relation to the Proposals had been fulfilled on 19 September 2013. The Proposals were completed on 30 September 2013, being the completion date agreed upon between the Bank, Al Numu and Anfaal in accordance with the terms of the SPA. On completion of the Proposals, the Bank's equity interest in Anfaal has increased from 18.00% to 35.17%.

(b) Disposal of Maybank Ventures Sdn Bhd ("MVSB")

On 2 January 2013, the Bank has disposed MVSB, an associated company to Maybank Asset Management Group Berhad (formerly known as Aseamlease Berhad), a wholly-owned subsidiary of Maybank.

MVSB is principally a venture capital company that engages in the promotion of and investment in companies in and outside of Malaysia with the objective of achieving capital appreciation primarily through disposal of such investments.

The disposal of MVSB did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ended 31 December 2013.

(c) Liquidation of Maysec (Ipoh) Sdn Bhd ("Maysec Ipoh")

Maysec Ipoh was placed under members' voluntary liquidation on 10 December 2010, and had its final meeting on 14 January 2013.

Maysec Ipoh was previously engaged in stockbroking business and has been dormant since 2005 following the merger of its holding company, Maysec Sdn Bhd (then known as Mayban Securities (Holdings) Sdn Bhd) with Aseambankers Malaysia Berhad to form the Bank. The liquidation of Maysec Ipoh is 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 Ipoh did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ended 31 December 2013.

(d) Liquidation of Mayban Securities (Jersey) Limited ("MSJL")

MSJL was placed under members' voluntary liquidation on 25 June 2011. The final statement of solvency was filed with Jersey Financial Services Commission on 21 June 2013 and was dissolved on 25 June 2013.

MSJL was previously an investment holding company and has been dormant since 1998. The liquidation of MSJL is 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 MSJL did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ended 31 December 2013.

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12. Performance Review

For the year ended 31 December 2013, the Group recorded a lower operating profit compared to the last year due to the reduction in number of sukuk deals for the year ended 31 December 2013. Operating profit dipped by 12.7% from RM283.7 million to RM247.7 million.

Non-interest income increased by 24.4% from RM378.3 million to RM470.6 million due to higher fee-based income from investment banking business. The Islamic Banking income contracted by RM74.4 million from RM123.7 million due to a relatively slower sukuk activities. The net income recorded a slight increase of RM18.9 million or 3.6% to RM549.0 million. However, the net interest income grew marginally by 3.9% or RM1.1 million due to higher interest income from financial assets at fair value through profit or loss and share margin financing.

Overhead expenses increased by 22.3% or RM54.9 million to RM301.3 million from RM246.4 million. This was largely attributable from the increase in personnel related costs.

The Group's profit before taxation and zakat declined by 8.5% or RM23.2 million from RM273.5 million to RM250.3 million. Profit for the year decreased by 6.5% or RM14.2million to RM205.8 million compared to the previous year.

13. Prospects

The global real Gross Domestic Product ("GDP") is forecasted to grow by 3.5% in 2014 from 3.1% in 2013 as the major advanced economies – US, Europe and Japan – simultaneously expanding for the first time since 2011. Amid continued sub-8% expansion in China, economic growth trends in ASEAN are projected to be mixed with Malaysia and Singapore experiencing favourable impact from a rebound in external demand while Indonesia, Thailand and the Philippines undergo transitional effects of domestic macroeconomic turbulence, political uncertainty and natural disasters.

Malaysia's macroeconomic outlook appears more promising given the steady GDP growth momentum (2014E: 5.0%; 2013E: 4.7%), clarity and credibility in fiscal policy to address the budget deficit via spending and tax measures, sustainable current account surplus, and the removal of domestic political uncertainties. However, domestic consumer spending is vulnerable to inflationary pressures arising from the Government's action to address the fiscal deficit through subsidy rationalisation and price adjustments. Bank Negara Malaysia is also expected to keep the benchmark Overnight Policy Rate unchanged at 3.00% to support domestic demand growth amid fiscal consolidation and lingering downside risk to global growth and hence external demand given current financial market volatility, especially the selloff in the emerging market.

Considering the above factors, the Group anticipates to see reasonable growth in its business for the financial year ending 31 December 2014. In addition, the Group will adopt a strategy of responsible growth with equal focus on managing asset quality, liquidity and capital through sound risk management practices.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance for the financial year ending 31 December 2014.

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14. Cash and short-term funds

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Cash and bank balances with financial institutions	287,575	94,697	259,496	46,617
Deposit placements maturing within one month	56,768	235,445	50,968	225,025
Total	344,343	330,142	310,464	271,642

The monies held-in-trust for clients by the Group and the Bank as at the reporting date are approximately RM131,100,000 (31 December 2012: RM88,699,000). These amounts are excluded from the cash and short-term funds of the Group and 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	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Licensed bank	28,470	37,573	27,173	36,312

16. Financial investments portfolio

		Group		Bank	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Financial assets at fair value through profit or loss	16 (i)	86,573	181,862	86,573	181,862
Financial investments available-for-sale	16 (ii)	37,630	87,527	37,630	39,435
Financial investments held-to-maturity	16 (iii)	33	33	33	33
Total financial investments portfolio		124,236	269,422	124,236	221,330

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

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
At fair value		
Quoted financial investments:		
Shares in Malaysia	28,488	32,120
Shares outside Malaysia	3,236	-
Unquoted financial investments:		
Private debt securities in Malaysia	54,849	149,742
Total financial assets at fair value through profit or loss	86,573	181,862

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16. **Financial investments portfolio (Cont'd)**

(ii) **Financial investments available-for-sale**

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
At fair value				
Quoted financial investments:				
Shares in Malaysia	-	50	-	50
Shares outside Malaysia	-	48,273	-	181
	-	48,323	-	231
Unquoted financial investments:				
Shares and loan stocks in Malaysia	37,627	37,627	37,627	37,627
Shares outside Malaysia	3	1,577	3	1,577
	37,630	39,204	37,630	39,204
Total financial investments available-for-sale	37,630	87,527	37,630	39,435

(iii) **Financial investments held-to-maturity**

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
At amortised cost		
Unquoted financial investments:		
Private debt securities in Malaysia	33	33
Total financial investments held-to-maturity	33	33

17. **Loans and advances**

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Term loans		
- Syndicated term loan	6,447	6,447
- Other term loans	1,391	1,806
Amount due from brokers and clients		
- Margin accounts	364,302	358,038
Foreign currency loans	3,152	1,468
Staff loans	15,847	14,488
Gross loans and advances	391,139	382,247
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,267)	(6,267)
Net loans and advances	384,872	375,980

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

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Domestic business enterprises	154,212	200,065
Individuals	233,775	180,714
Foreign entities	3,152	1,468
Gross loans and advances	391,139	382,247

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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	
	31 December 2013 RM'000	31 December 2012 RM'000
Fixed rate		
- Housing loans	9,440	9,123
- Hire purchase receivables	6,091	4,910
- Other fixed rate loans	316	455
Variable rate		
- BLR-plus	10,990	9,721
- Cost-plus	364,302	358,038
Gross loans and advances	391,139	382,247

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

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Purchase of securities	364,302	358,038
Purchase of transport vehicles	6,251	5,070
Purchase of residential landed property	10,671	10,769
Personal use	314	448
Consumer durables	2	7
Working capital	9,599	7,915
Gross loans and advances	391,139	382,247

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

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Maturing within one year	374,190	359,881
One year to three years	1,744	962
Three years to five years	4,060	4,047
After five years	11,145	17,357
Gross loans and advances	391,139	382,247

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

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
At 1 January	7,009	6,980
Impaired during the year	29	964
Recovered/regularised during the year	(23)	(935)
Gross impaired loans and advances	7,015	7,009
Less: Individual assessment allowance	(6,267)	(6,267)
Net balance at end of the year	748	742
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.19%	0.20%

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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	
	31 December 2013	31 December 2012
	RM'000	RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	412	406
Working capital	<u>6,447</u>	<u>6,447</u>
Gross impaired loans and advances	<u>7,015</u>	<u>7,009</u>

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

	Group and Bank	
	31 December 2013	31 December 2012
	RM'000	RM'000
Individual assessment allowance:		
At 1 January	6,267	6,267
Allowance made during the year	11	205
Amount written back during the year	<u>(11)</u>	<u>(205)</u>
Balance at end of year	<u>6,267</u>	<u>6,267</u>

18. **Other assets**

	Group		Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	314,586	238,647	314,586	238,647
Amount due from ultimate holding company	4,830	8,074	4,830	8,074
Other debtors, deposits and prepayment	<u>36,026</u>	<u>25,715</u>	<u>31,717</u>	<u>23,441</u>
	355,442	272,436	351,133	270,162
Less: Allowance for impairment losses	<u>(9,708)</u>	<u>(8,914)</u>	<u>(7,739)</u>	<u>(6,428)</u>
	<u>345,734</u>	<u>263,522</u>	<u>343,394</u>	<u>263,734</u>

(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.

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19. Other liabilities

	Group		Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Provisions and accruals	112,203	89,386	111,666	85,487
Provision for commitments and contingencies	500	6,619	500	6,619
Amount due to brokers and clients (a)	325,648	212,384	325,648	212,384
Deposits and other creditors	91,286	98,732	264,896	272,329
	<u>529,637</u>	<u>407,121</u>	<u>702,710</u>	<u>576,819</u>

(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.

20. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	31 December 2013		31 December 2012	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Commodity related derivatives:				
Commodity futures				
- Less than one year	-	-	4,291	96
	-	-	4,291	96

(ii) Derivative liabilities

	Group and Bank			
	31 December 2013		31 December 2012	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Index futures				
- Less than one year	-	-	2,527	10
Equity options				
- Less than one year	75,780	9,020	202,483	8,817
- One year to three years	194,360	532	45	7
Commodity related derivatives:				
Commodity futures				
- Less than one year	-	-	5,041	53
Commodity options				
- Less than one year	-	-	40,790	66
	<u>270,140</u>	<u>9,552</u>	<u>250,886</u>	<u>8,953</u>

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20. **Derivatives (Cont'd)**

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

	Group and Bank			
	Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Equity related derivatives:				
Index futures	-	(33)	(33)	(63)
Equity options	(643)	1,305	(11,105)	14,558
Commodity related derivatives:				
Commodity futures	-	16	-	96
Commodity options	-	(150)	(460)	447
	<u>(643)</u>	<u>1,138</u>	<u>(11,598)</u>	<u>15,038</u>

21. **Interest income**

	Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loans and advances				
- Interest income other than on impaired loans	6,667	5,875	24,129	19,637
- Interest income on impaired loans	21	25	99	82
Money at call and deposits and placements with financial institutions	4,246	2,723	13,316	15,181
Financial assets at fair value through profit or loss	237	99	3,848	367
Financial investments available-for-sale	-	707	-	2,295
Others	7	12	(119)	12
Total interest income	<u>11,178</u>	<u>9,441</u>	<u>41,273</u>	<u>37,574</u>

	Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loans and advances				
- Interest income other than on impaired loans	6,667	5,875	24,129	19,637
- Interest income on impaired loans	21	25	99	82
Money at call and deposits and placements with financial institutions	4,047	2,392	12,427	14,216
Financial assets at fair value through profit or loss	237	99	3,848	367
Financial investments available-for-sale	-	707	-	2,295
Others	7	12	(119)	12
Total interest income	<u>10,979</u>	<u>9,110</u>	<u>40,384</u>	<u>36,609</u>

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22. Interest expense

	Group and Bank Quarter Ended		Group and Bank Cumulative 12 Months Ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a licensed bank	2,001	1,248	12,193	9,577

23. Non-interest income

	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Group				
Fee and commission income:				
Arranger and upfront fees	46,807	3,281	95,345	77,055
Brokerage income	48,329	34,415	167,977	132,586
Corporate advisory fees	5,626	7,228	33,348	69,538
Placement and related fees	26,326	13,021	80,833	52,259
Underwriting commission	4,787	2,774	5,801	14,248
Others	23,520	3,796	31,605	16,596
	155,395	64,515	414,909	362,282
Investment income:				
Realised loss from sale of financial assets at fair value through profit or loss, net	(1,778)	(1,749)	(324)	(12,185)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(836)	2,392	(85)	(1,794)
Realised gain from sale of derivative financial instruments, net	1,752	7,337	20,934	13,650
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(643)	1,138	(11,598)	15,038
Realised gain/(loss) from sale of financial investments available-for-sale, net	41,626	(4,936)	41,626	(4,036)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	79	408	391	685
- Quoted outside Malaysia	31	356	1,395	1,739
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	(49)	516	570	1,414
- Quoted outside Malaysia	239	-	326	-
	40,421	5,462	53,235	14,511
Other income:				
Foreign exchange gain/(loss), net	753	(694)	1,337	23
Gain from disposal of property, plant and equipment	46	-	46	-
Others	(153)	518	1,052	1,485
	646	(176)	2,435	1,508
Total non-interest income	196,462	69,801	470,579	378,301

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

<u>Bank</u>	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Fee and commission income:				
Arranger and upfront fees	46,807	3,281	95,345	77,055
Brokerage income	48,329	34,415	167,977	132,586
Corporate advisory fees	2,963	6,690	29,294	58,882
Placement and related fees	26,326	13,021	80,833	52,259
Underwriting commission	4,787	2,774	5,801	14,248
Others	23,518	3,796	31,474	16,596
	<u>152,730</u>	<u>63,977</u>	<u>410,724</u>	<u>351,626</u>
Investment income:				
Realised loss from sale of financial assets at fair value through profit or loss, net	(1,778)	(1,749)	(324)	(12,185)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(836)	2,392	(85)	(1,794)
Realised gain from sale of derivative financial instruments, net	1,752	7,337	20,934	13,650
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(643)	1,138	(11,598)	15,038
Realised gain/(loss) from sale of financial investments available-for-sale, net	24	(4,936)	24	(4,036)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	79	408	391	685
- Quoted outside Malaysia	-	356	-	356
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	(49)	516	570	1,414
- Quoted outside Malaysia	239	-	326	-
Associate	-	1,500	-	1,500
Subsidiary	71,280	-	71,280	-
Gain from disposal of investment in associate	-	-	518	-
	<u>70,068</u>	<u>6,962</u>	<u>82,036</u>	<u>14,628</u>
Other income:				
Foreign exchange gain/(loss), net	839	(696)	2,524	(544)
Gain from disposal of property, plant and equipment	46	-	46	-
Others	111	526	1,052	1,460
	<u>996</u>	<u>(170)</u>	<u>3,622</u>	<u>916</u>
Total non-interest income	<u>223,794</u>	<u>70,769</u>	<u>496,382</u>	<u>367,170</u>

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24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	68,921	30,625	194,602	150,193
- Pension costs - defined contribution plan	3,704	2,811	14,447	11,905
- Dealers' incentives	2,536	1,313	6,124	13,359
- Employees' Share Scheme expenses	3,233	1,389	11,995	8,933
- Other staff related expenses	3,397	4,616	10,678	9,314
	81,791	40,754	237,846	193,704
Establishment costs				
- Depreciation of property, plant and equipment	919	731	3,418	3,186
- Amortisation of computer software	603	504	2,428	1,725
- Rental	2,658	2,426	10,481	9,222
- Repairs and maintenance of property, plant and equipment	2,168	2,262	8,056	7,413
- Information technology expenses	1,877	1,416	6,036	3,602
- Service chargeback	(10,264)	(5,495)	(18,734)	(14,784)
- Others	1,496	2,640	7,228	7,097
	(543)	4,484	18,913	17,461
Marketing costs				
- Advertisement and publicity	3,259	1,837	7,829	7,762
- Others	2,927	2,809	11,091	8,491
	6,186	4,646	18,920	16,253
Administration and general expenses				
- Fee and brokerage	9,384	3,700	19,334	12,930
- Administrative expenses	1,173	667	4,444	4,163
- General expenses	403	396	1,797	1,839
	10,960	4,763	25,575	18,932
Total overhead expenses	98,394	54,647	301,254	246,350

<u>Bank</u>	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	68,921	30,627	194,602	150,159
- Pension costs - defined contribution plan	3,704	2,811	14,447	11,905
- Dealers' incentives	2,536	1,313	6,124	13,359
- Employees' Share Scheme expenses	3,233	1,389	11,995	8,933
- Other staff related expenses	3,379	4,614	10,589	9,312
	81,773	40,754	237,757	193,668

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24. Overhead expenses (Cont'd)

	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
Establishment costs				
- Depreciation of property, plant and equipment	915	795	3,401	3,171
- Amortisation of computer software	603	504	2,428	1,725
- Rental	2,658	2,396	10,482	9,192
- Repairs and maintenance of property, plant and equipment	2,168	2,257	8,056	7,408
- Information technology expenses	1,877	1,416	6,036	3,602
- Service chargeback	(11,442)	(5,122)	(24,561)	(17,698)
- Others	1,496	1,392	7,228	7,097
	<u>(1,725)</u>	<u>3,638</u>	<u>13,070</u>	<u>14,497</u>
Marketing costs				
- Advertisement and publicity	3,260	1,837	7,829	7,762
- Others	2,924	2,809	11,086	8,490
	<u>6,184</u>	<u>4,646</u>	<u>18,915</u>	<u>16,252</u>
Administration and general expenses				
- Fee and brokerage	9,346	3,593	19,251	12,674
- Administrative expenses	1,165	666	4,315	4,147
- General expenses	354	374	1,748	1,817
	<u>10,865</u>	<u>4,633</u>	<u>25,314</u>	<u>18,638</u>
Total overhead expenses	<u>97,097</u>	<u>53,671</u>	<u>295,056</u>	<u>243,055</u>

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

	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and advances:				
Individual assessment				
- Made during the year	-	(2)	(11)	(205)
- Written back during the year	-	4	11	205
Bad debts recovered	11	302	196	1,547
Writeback of/(allowance) for impairment on other debtors, net	1,433	(555)	(794)	(1,494)
Total	<u>1,444</u>	<u>(251)</u>	<u>(598)</u>	<u>53</u>
Bank				
Allowance for impaired loans and advances:				
Individual assessment				
- Made during the year	-	(2)	(11)	(205)
- Written back during the year	-	4	11	205
Bad debts recovered	11	302	196	1,547
Writeback of/(allowance) for impairment on other debtors, net	907	(195)	(1,311)	(1,134)
Total	<u>918</u>	<u>109</u>	<u>(1,115)</u>	<u>413</u>

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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.

Bank Negara Malaysia ("BNM") had on 28 November 2012 released the updated guidelines for the computation of capital and capital adequacy ratios in accordance with Capital Adequacy Framework (Capital Components) commencing from 1 January 2013 and subjected to transitional arrangements as set out in paragraphs 36.1 to 36.17 of the said frameworks.

The minimum regulatory capital adequacy ratios 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.

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

	Group %	Bank %
<u>At 31 December 2013</u>		
Capital ratios		
CET1 capital ratio	45.920	43.689
Tier 1 capital ratio	45.920	43.689
Total capital ratio	45.920	43.689
<u>At 31 December 2012</u>		
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	40.30	38.34
Risk-weighted capital ratio	40.30	38.34
After deducting proposed dividends:		
Core capital ratio	30.73	27.78
Risk-weighted capital ratio	30.73	27.78

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

(I) Capital Adequacy Framework (Cont'd)

<u>At 31 December 2013</u>	Group RM'000	Bank RM'000
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	379,436	370,042
CET1 capital before regulatory adjustments	652,337	642,943
Less: Deferred tax assets	(22,938)	(22,938)
Intangible assets	(9,589)	(9,589)
Investment in subsidiaries and joint venture ¹	(10,549)	(41,672)
Liquidity reserve ²	(110)	(110)
CET1 capital/Tier 1 capital/Total capital	609,151	568,634
<u>At 31 December 2012</u>	Group RM'000	Bank RM'000
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	444,462	413,937
Less: Deferred tax assets	(17,681)	(17,681)
Total Tier 1 capital/Total capital	699,682	669,157
Less: Investment in subsidiaries ¹	-	(61,794)
Liquidity reserve ²	(2,395)	(2,395)
Capital base³	697,287	604,968

¹ Excludes the cost of investment in a subsidiary, Maysec (KL) 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.

³ For purpose of computation of capital adequacy ratio, the core capital is taken to be similar to the capital base.

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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
31 December 2013				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	435	435	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	553,052	504,406	101,391	8,111
Corporates	254,523	15,995	15,137	1,211
Regulatory retail	277,575	19,599	15,433	1,235
Higher risk assets	37,657	37,657	56,486	4,519
Other assets	131,551	131,551	61,623	4,930
Total on-balance sheet exposures	1,254,793	709,643	250,070	20,006
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	708,923	708,923	277	22
Total off-balance sheet exposures	738,923	738,923	3,277	262
Total on and off-balance sheet exposures	1,993,716	1,448,566	253,347	20,268
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	48,827	3,906
Equity position risk	-	-	7,162	573
Foreign currency risk	-	-	62,835	5,027
Options risk	-	-	78,135	6,251
Total	-	-	196,959	15,757
(iii) <u>Operational Risk</u>	-	-	876,244	70,100
Total RWA and capital requirements	1,993,716	1,448,566	1,326,550	106,125

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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	Net Exposures	Risk-weighted assets	Capital requirements
31 December 2012	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	260	260	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	450,760	450,760	90,152	7,212
Corporates	341,725	341,725	340,140	27,211
Regulatory retail	194,216	194,216	182,688	14,615
Higher risk assets	92,014	92,014	138,021	11,042
Other assets	125,326	125,326	58,956	4,716
Equity exposures	233	233	233	19
Total on-balance sheet exposures	1,204,534	1,204,534	810,190	64,815
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	542,359	542,359	70	6
Total off-balance sheet exposures	572,359	572,359	3,070	246
Total on and off-balance sheet exposures	1,776,893	1,776,893	813,260	65,061
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	-	-	12,557	1,005
Foreign currency risk	-	-	70,696	5,656
Options risk	-	-	18,971	1,518
Total	-	-	200,481	16,039
(iii) <u>Operational Risk</u>				
	-	-	716,690	57,335
Total RWA and capital requirements	1,776,893	1,776,893	1,730,431	138,435

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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 2013				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	435	435	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	517,878	469,232	94,356	7,548
Corporates	254,523	15,995	15,137	1,211
Regulatory retail	277,575	19,599	15,433	1,235
Higher risk assets	37,630	37,630	56,445	4,516
Other assets	129,109	129,109	59,182	4,735
Total on-balance sheet exposures	1,217,150	672,000	240,553	19,245
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	708,923	708,923	277	22
Total off-balance sheet exposures	738,923	738,923	3,277	262
Total on and off-balance sheet exposures	1,956,073	1,410,923	243,830	19,507
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	48,827	3,906
Equity position risk	-	-	7,162	573
Foreign currency risk	-	-	57,976	4,638
Options risk	-	-	78,135	6,251
	-	-	192,100	15,368
(iii) <u>Operational Risk</u>				
	-	-	865,607	69,249
Total RWA and capital requirements	1,956,073	1,410,923	1,301,537	104,124

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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
31 December 2012	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	260	260	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	391,026	391,026	78,205	6,256
Corporates	341,725	341,725	340,140	27,211
Regulatory retail	194,216	194,216	182,687	14,615
Higher risk assets	43,404	43,404	65,106	5,208
Other assets	125,368	125,368	59,296	4,744
Equity exposures	233	233	233	19
Total on-balance sheet exposures	1,096,232	1,096,232	725,667	58,053
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	542,359	542,359	70	6
Total off-balance sheet exposures	572,359	572,359	3,070	246
Total on and off-balance sheet exposures	1,668,591	1,668,591	728,737	58,299
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	-	-	12,557	1,005
Foreign currency risk	-	-	17,497	1,400
Options risk	-	-	18,971	1,518
Total	-	-	147,282	11,783
(iii) <u>Operational Risk</u>				
	-	-	701,958	56,157
Total RWA and capital requirements	1,668,591	1,668,591	1,577,977	126,239

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26. Capital adequacy (Cont'd)

(III) The RWA and capital requirements for the various categories of market risk:

Group	31 December 2013		31 December 2012	
	Risk-weighted assets equivalent RM'000	Capital required RM'000	Risk-weighted assets equivalent RM'000	Capital required RM'000
Interest rate risk	48,827	3,906	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	7,162	573	12,557	1,005
Foreign currency risk	62,835	5,027	70,696	5,656
Options risk	78,135	6,251	18,971	1,518
Total	196,959	15,757	200,481	16,039

Bank	31 December 2013		31 December 2012	
	Risk-weighted assets equivalent RM'000	Capital required RM'000	Risk-weighted assets equivalent RM'000	Capital required RM'000
Interest rate risk	48,827	3,906	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	7,162	573	12,557	1,005
Foreign currency risk	57,976	4,638	17,497	1,400
Options risk	78,135	6,251	18,971	1,518
Total	192,100	15,368	147,282	11,783

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26. Capital adequacy (Cont'd)

(IV) The breakdown of exposures by risk weights are as follows:

Group	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns & Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk-weighted assets
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights										
0%	435	-	-	-	-	-	10,635	-	11,070	-
20%	-	-	502,707	-	-	-	74,116	-	576,823	115,365
50%	-	-	1,699	3,741	107	-	-	-	5,547	2,774
75%	-	-	-	-	17,612	-	-	-	17,612	13,209
100%	-	-	-	10,229	1,299	-	46,800	-	58,328	58,328
150%	-	-	-	2,025	581	37,657	-	-	40,263	60,394
Total exposures	435	-	504,406	15,995	19,599	37,657	131,551	-	709,643	250,070
Risk-weighted assets by exposures	-	-	101,391	15,137	15,433	56,486	61,623	-	250,070	
Average risk weights	0%	0%	20%	95%	79%	150%	47%	0%	35%	

Group	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns & Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk-weighted assets
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights										
0%	260	-	-	-	-	-	6	-	266	-
20%	-	-	450,760	-	-	-	82,584	-	533,344	106,669
50%	-	-	-	3,171	83	-	593	-	3,847	1,924
75%	-	-	-	-	46,712	-	-	-	46,712	35,034
100%	-	-	-	338,554	147,039	-	42,143	233	527,969	527,969
150%	-	-	-	-	382	92,014	-	-	92,396	138,594
Total exposures	260	-	450,760	341,725	194,216	92,014	125,326	233	1,204,534	810,190
Risk-weighted assets by exposures	-	-	90,152	340,140	182,688	138,021	58,956	233	810,190	
Average risk weights	0%	-	20%	100%	94%	150%	47%	100%	67%	

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26. Capital adequacy (Cont'd)

(IV) The breakdown of exposures by risk weights are as follows (Cont'd):

Bank	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns & Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk-weighted assets
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights										
0%	435	-	-	-	-	-	10,634	-	11,069	-
20%	-	-	467,533	-	-	-	74,116	-	541,649	108,330
50%	-	-	1,699	3,741	107	-	-	-	5,547	2,774
75%	-	-	-	-	17,612	-	-	-	17,612	13,209
100%	-	-	-	10,229	1,299	-	44,359	-	55,887	55,887
150%	-	-	-	2,025	581	37,630	-	-	40,236	60,353
Total exposures	435	-	469,232	15,995	19,599	37,630	129,109	-	672,000	240,553
Risk-weighted assets by exposures	-	-	94,356	15,137	15,433	56,445	59,182	-	240,553	
Average risk weights	0%	0%	20%	95%	79%	150%	46%	0%	36%	

Bank	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns & Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk-weighted assets
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights										
0%	260	-	-	-	-	-	5	-	265	-
20%	-	-	391,026	-	-	-	82,584	-	473,610	94,722
50%	-	-	-	3,171	83	-	-	-	3,254	1,627
75%	-	-	-	-	46,712	-	-	-	46,712	35,034
100%	-	-	-	338,554	147,039	-	42,779	233	528,605	528,605
150%	-	-	-	-	382	43,404	-	-	43,786	65,679
Total exposures	260	-	391,026	341,725	194,216	43,404	125,368	233	1,096,232	725,667
Risk-weighted assets by exposures	-	-	78,205	340,140	182,687	65,106	59,296	233	725,667	
Average risk weights	0%	-	20%	100%	94%	150%	47%	100%	66%	

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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
31 December 2013	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	3,900	27,777	(2,597)	29,080
Net income from Islamic Banking Scheme operations	44,862	4,474	-	49,336
Non-interest income	252,917	170,795	46,867	470,579
Total revenue	301,679	203,046	44,270	548,995
Results				
Segment results	301,679	203,046	44,270	548,995
Overhead expenses	(113,484)	(142,047)	(45,723)	(301,254)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(3,120)	2,522	-	(598)
Writeback of impairment on financial investments available-for-sale	2,573	-	-	2,573
Allowance for commitments and contingencies	-	-	(127)	(127)
Share of results of a joint venture	-	-	671	671
Profit before taxation	187,648	63,521	(909)	250,260
Taxation and zakat				(44,458)
Profit for the year				205,802

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28. Segment information (Cont'd)

<u>Group</u> 31 December 2013	Pillar 1 RM'000	Pillar 2 RM'000	Others RM'000	Total RM'000
Other segment information				
Depreciation	18	375	3,025	3,418
Amortisation	-	627	1,801	2,428
Assets				
Segment assets	775,578	266,498	250,776	1,292,852
Investment in a joint venture	-	-	10,549	10,549
Total assets	775,578	266,498	261,325	1,303,401
Liabilities				
Segment liabilities	62,354	144,838	443,872	651,064
Total liabilities	62,354	144,838	443,872	651,064
Group 31 December 2012				
	Pillar 1 RM'000	Pillar 2 RM'000	Others RM'000	Total RM'000
Revenue				
Net interest income	6,750	20,361	886	27,997
Net income from Islamic Banking Scheme operations	119,478	4,267	-	123,745
Non-interest income	234,052	141,649	2,600	378,301
Total revenue	360,280	166,277	3,486	530,043
Results				
Segment results	360,280	166,277	3,486	530,043
Overhead expenses	(109,983)	(136,259)	(108)	(246,350)
Writeback of impairment on loans and advances and other debtors, net	-	53	-	53
Allowance for commitments and contingencies	-	(4,150)	(1,969)	(6,119)
Share of results of associates	-	-	(4,177)	(4,177)
Profit before taxation	250,297	25,921	(2,768)	273,450
Taxation and zakat				(53,445)
Profit for the year				220,005
Other segment information				
Depreciation	13	2,749	424	3,186
Amortisation	-	72	1,653	1,725
Assets				
Segment assets	204,910	153,830	961,215	1,319,955
Investment in a joint venture	-	-	4,718	4,718
Total assets	204,910	153,830	965,933	1,324,673
Liabilities				
Segment liabilities	34,464	63,942	496,050	594,456
Total liabilities	34,464	63,942	496,050	594,456

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27. Commitments and Contingencies

Group and Bank	As at 31 December 2013			As at 31 December 2012		
	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	30,000	15,000	3,000	30,000	15,000	3,000
Revocable commitments to extend credit:						
- Maturity not exceeding one year	708,370	-	-	542,219	-	-
- Maturity exceeding one year	553	277	277	140	70	70
	738,923	15,277	3,277	572,359	15,070	3,070
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	75,780	-	-	205,010	-	-
- One year to less than three years	194,360	-	-	45	-	-
Commodity related contracts						
- Less than one year	-	-	-	50,122	-	-
	270,140	-	-	255,177	-	-
Total commitments and contingencies	1,009,063	15,277	3,277	827,536	15,070	3,070

* 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

A corporate borrower, had issued a writ of summons and statement of claim against Maybank IB in 2005 in the latter's capacity as agent bank for three (3) financial institutions, claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB in connection with a syndicated facility.

The credit facilities consist of a bridging loan of RM58,500,000 and a revolving credit facility of RM4,000,000 which were granted by Maybank IB and the three (3) syndicated lenders. The loan was subsequently restructured to RM38,500,000 with terms for repayment. In 2006, Maybank IB and the three (3) syndicated lenders filed a suit against the corporate borrower for the recovery of the said credit facilities. The two (2) claims were heard together.

The High Court on 6 May 2009 entered judgment against Maybank IB as agent for the syndicated lenders for, inter alia, a sum of RM115,500,000 with interest at 6% per annum from date of disbursement to realisation, with the balance of the corporate borrower's claim (including general damages) ordered to be assessed at a later date ("Judgment"). In the same Judgment, the recovery action by Maybank IB and the three (3) syndicated lenders was also dismissed.

The Bank as one of the syndicated lenders has an exposure of RM48.0 million out of the RM115.5 million awarded pursuant to the Judgement.

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27. Commitments and Contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 1 (Cont'd)

The Bank filed an appeal against the Judgement and an application for stay of execution of the Judgement on 8 May 2009 ("Appeal"). On 24 June 2009, the Bank successfully obtained a stay order for execution of the Judgement pending the disposal of the Appeal against the Judgement. The corporate borrower's appeal to the Court of Appeal against the decision on the stay order was dismissed on 23 November 2009.

The Appeal came up for hearing on 10 February 2012, wherein all parties agreed for this matter to be mediated. As the parties could not come to any consensus at the mediation on 9 March 2012, the Appeal was fixed for hearing and the same was concluded on 23 January 2013.

The Court of Appeal fixed 27 September 2013 for delivery of its decision and on that date, the Appeal was allowed. The Judgement against the Bank and the three syndicated lenders was set aside and Judgement was also entered against the corporate borrower 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 their motion for leave to appeal to the Federal Court against the decision of the Court of Appeal. On 29 January 2014, the Federal Court has dismissed the leave motion with costs of RM30,000.

Case 2

Several holders of a bond ("bondholders") issued by a company served a Summons and Statement of Claim on 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 for a joinder application by two (2) applicants as 5th and 6th plaintiffs to the suit, the quantum of the claim has increased from RM156.3 million to RM177.3 million. Hearing of the case is scheduled for 10 March 2014 to 14 March 2014, 17 March 2014 to 21 March 2014, 24 March 2014 to 28 March 2014 and 31 March 2014 to 4 April 2014.

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

Case 3

On 4 September 2013, a recovery action was filed by Malayan Banking Berhad ("MBB") against its corporate borrower ("the Plaintiff") and its guarantors for recovery of monies due under loans granted to the Plaintiff. On 16 October 2013, the Plaintiff had filed a Defence to MBB's action as well as a Counterclaim against MBB and the Bank alleging inter alia that:-

- (a) the loans were taken by the Plaintiff to refinance the outstanding private debt securities ("PDS") (consisting of Notes and Bonds) issued by its subsidiary ("the Subsidiary"), in respect of which the Bank was, inter alia, the facility agent and also holder of the Notes; and
- (b) the loans transaction were entered into by the Plaintiff arising from purported representations made by the Bank concerning the Notes and Bonds.

In the Counterclaim, the Plaintiff sought the following reliefs as against the Bank:-

- (a) refund of RM2.1 million as interest allegedly overcharged by the Bank under the Notes programme; and
- (b) payment of RM26.0 million, being the amount equivalent to the mark-to-market losses under the PDS, which, it was alleged, the Bank and MBB were obliged to pay to the Plaintiff.

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27. Commitments and Contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 3 (Cont'd)

The Bank and MBB have filed their respective applications to strike out the Counterclaim ("the Striking Out Applications"). By reason of the matters set out in the Bank's Striking Out Application concerning the locus standi of the Plaintiff in maintaining the Counterclaim, subsequently, the Subsidiary filed an application to be joined as co-plaintiff in the Counterclaim ("the Joinder Application").

The hearing of the Joinder Application and the Striking Out Applications is fixed for 20 March 2014. There has since been a request made to the Court by the Plaintiff for a mediation of the matter. The Court mediation has been fixed for 10 March 2014.

In the event the mediation is not successful, the court would have to proceed to hear the Joinder Application and Striking Out Applications. Should the Striking Out Applications be disallowed by the Court, the Plaintiff's Counterclaim would then have to proceed for full trial. The Bank's solicitors are of the view that the Bank has a fairly good chance of successfully opposing the Plaintiff's Counterclaim at trial, if it does so proceed for trial.

29. Net income from Islamic Banking Scheme operations

Audited Statements of Financial Position as at 31 December 2013

		Group and Bank	
		31 December	31 December
		2013	2012
	Notes	RM'000	RM'000
ASSETS			
Cash and short-term funds	(a)	8,894	37,709
Other assets	(b)	<u>157,280</u>	<u>115,510</u>
Total assets		<u>166,174</u>	<u>153,219</u>
LIABILITIES			
Other liabilities	(c)	1,337	143
Provision for taxation and zakat	(d)	<u>9,060</u>	<u>21,528</u>
Total liabilities		<u>10,397</u>	<u>21,671</u>
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		<u>150,777</u>	<u>126,548</u>
		<u>155,777</u>	<u>131,548</u>
Total liabilities and Islamic banking fund		<u>166,174</u>	<u>153,219</u>

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

Audited Statements of Comprehensive Income
For the Fourth Quarter Ended 31 December 2013

Group and Bank	Notes	Quarter Ended		Cumulative 12 Months Ended	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Income derived from investment of Islamic banking capital funds	(e)	16,655	5,049	49,336	123,745
Income attributable to the Group and the Bank		16,655	5,049	49,336	123,745
Overhead expenses	(f)	(1,553)	(7,273)	(15,990)	(41,853)
Profit before taxation and zakat		15,102	(2,224)	33,346	81,892
Taxation		(4,273)	556	(8,337)	(20,474)
Zakat		(632)	(205)	(780)	(1,384)
Profit for the period/year, representing total comprehensive income for the year, attributable to equity holder of the Bank		10,197	(1,873)	24,229	60,034

Audited Statements of Changes in Equity
For the Fourth Quarter Ended 31 December 2013

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2013	5,000	126,548	131,548
Profit for the year	-	24,229	24,229
Total comprehensive income for the year	-	24,229	24,229
At 31 December 2013	5,000	150,777	155,777
At 1 January 2012	5,000	66,514	71,514
Profit for the year	-	60,034	60,034
Total comprehensive income for the year	-	60,034	60,034
At 31 December 2012	5,000	126,548	131,548

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

Audited Statements of Cash Flows
For the Fourth Quarter Ended 31 December 2013

	Group and Bank	
	31 December 2013 RM'000	31 December 2012 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	33,346	81,892
Decrease in financial investments portfolio	-	30,000
Increase in receivables	(41,770)	(61,617)
Decrease in payables	(20,391)	(22,824)
Net cash (used in)/generated from operating activities	<u>(28,815)</u>	<u>27,451</u>
Net (decrease)/increase in cash and cash equivalents	(28,815)	27,451
Cash and cash equivalents at beginning of the year	37,709	10,258
Cash and cash equivalents at end of the year	<u>8,894</u>	<u>37,709</u>
(a) Cash and short-term funds		
Cash and bank balances with financial institutions	194	106
Deposit placements maturing within one month	8,700	37,603
	<u>8,894</u>	<u>37,709</u>
(b) Other assets		
Debtors and prepayments	<u>157,280</u>	<u>115,510</u>
(c) Other liabilities		
Provisions and accruals	<u>1,337</u>	<u>143</u>
(d) Provision for taxation and zakat		
Taxation	8,337	20,474
Zakat	723	1,054
	<u>9,060</u>	<u>21,528</u>

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

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

	Group and Bank Quarter Ended		Group and Bank Cumulative 12 Months Ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Gross (loss)/income from:				
- Financial assets at fair value through profit or loss	(33)	92	2,282	1,911
- Financial investments available-for-sale	-	-	-	159
- Deposits and placements with financial institutions	32	186	509	1,255
Gain from sale of financial assets at fair value through profit or loss, net	10,993	27	24,865	93,023
Fee income from:				
- Arranger and upfront fees	1,471	2,627	10,495	19,209
- Corporate advisory fees	126	110	555	640
- Underwriting commission	-	-	120	120
- Brokerage income	1,067	1,391	4,474	4,267
- Other fee income	2,999	616	6,036	3,161
Total	16,655	5,049	49,336	123,745

(f) Overhead expenses

	Group and Bank Quarter Ended		Group and Bank Cumulative 12 Months Ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	945	8,564	15,701	43,521
Establishment costs				
- Service chargeback	(584)	(3,029)	(3,251)	(9,998)
- Other establishment costs	436	556	1,663	3,136
Marketing expenses	259	530	968	2,597
Administration and general expenses	497	652	909	2,597
Total	1,553	7,273	15,990	41,853

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

(g) Capital adequacy

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

	Group and Bank %
<u>At 31 December 2013</u>	
Capital ratios	
CET1 capital ratio	59.040
Tier 1 capital ratio	59.040
Total capital ratio	59.040
Group and Bank	
%	
<u>At 31 December 2012</u>	
Capital ratios	
Core capital ratio	56.25
Risk-weighted capital ratio	56.25

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

	Group and Bank RM'000
<u>At 31 December 2013</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	150,777
CET1 capital/Tier 1 capital/Total capital	155,777
Group and Bank	
RM'000	
<u>At 31 December 2012</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	126,548
CET1 capital/Tier 1 capital/Total capital	131,548

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

(g) 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>	Gross Credit exposures RM'000	Net Credit exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
31 December 2013				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	192	192	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	8,702	8,702	1,740	139
Other assets	305,696	305,696	93,455	7,476
Total on-balance sheet exposures	314,590	314,590	95,195	7,615
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	314,590	314,590	95,195	7,615
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	2	-
(iii) <u>Operational Risk</u>	-	-	168,655	13,492
Total RWA and capital requirements	314,590	314,590	263,852	21,107
 <u>Group and Bank</u>				
31 December 2012				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	106	106	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	213,842	213,842	42,769	3,422
Other assets	40,010	40,010	40,010	3,201
Total on-balance sheet exposures	253,958	253,958	82,779	6,623
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	253,958	253,958	82,779	6,623
(ii) <u>Operational Risk</u>	-	-	151,096	12,088
Total RWA and capital requirements	253,958	253,958	233,875	18,711

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

(g) Capital adequacy (Cont'd)

(IV) The breakdown of exposures by risk weights are as follows:

Group and Bank	Exposures after Netting and Credit Risk Mitigation				
	Sovereigns & Central banks	Banks, DFIs and MDBs	Other assets	Total Exposures after netting and credit risk mitigation	Total risk-weighted assets
31 December 2013					
Risk weights	RM'000	RM'000	RM'000	RM'000	RM'000
0%	192	-	-	192	-
20%	-	8,702	265,301	274,003	54,800
100%	-	-	40,395	40,395	40,395
Total exposures	192	8,702	305,696	314,590	95,195
Risk-weighted assets by exposures	-	1,740	93,455	95,195	
Average risk weights	0%	20%	31%	30%	

Group and Bank	Exposures after Netting and Credit Risk Mitigation				
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Other assets	Total Exposures after netting and credit risk mitigation	Total risk-weighted assets
31 December 2012					
Risk weights	RM'000	RM'000	RM'000	RM'000	RM'000
0%	106	-	-	106	-
20%	-	37,603	176,239	213,842	42,769
100%	-	-	40,010	40,010	40,010
Total exposures	106	37,603	216,249	253,958	82,779
Risk-weighted assets by exposures	-	7,521	75,258	82,779	
Average risk weights	0%	20%	35%	33%	

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

(h) Fair values of financial assets and liabilities

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

(i) 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.

(j) 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 seven (31 December 2012: five) Shariah committee 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 using observable inputs

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 less liquid equities.

(c) Level 3: Valuation techniques using significant unobservable inputs

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 Banks' own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

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 31 December 2013 and 31 December 2012.

Group	<u>Valuation techniques using</u>			Total
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 31 December 2013				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	31,724	54,849	-	86,573
Financial liabilities measured at fair values:				
Derivative liabilities	9,020	532	-	9,552
As at 31 December 2012				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	32,120	149,742	-	181,862
Financial investments available-for-sale	48,323	-	-	48,323
Derivative assets	-	96	-	96
	80,443	149,838	-	230,281
Financial liabilities measured at fair values:				
Derivative liabilities	8,817	136	-	8,953

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

Bank	<u>Valuation techniques using</u>			Total
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 31 December 2013				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	31,724	54,849	-	86,573
Financial liabilities measured at fair values:				
Derivative liabilities	9,020	532	-	9,552
As at 31 December 2013				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	32,120	149,742	-	181,862
Financial investments available-for-sale	231	-	-	231
Derivative assets		96	-	96
	32,351	149,838	-	182,189
Financial liabilities measured at fair values:				
Derivative liabilities	8,817	136	-	8,953

Valuation techniques

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

Derivatives

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

Financial assets at fair value and financial investments available-for-sale

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