

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

<u>Group</u>	Notes	30 June 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds	14	484,014	344,343
Deposits and placements with financial institutions	15	25,408	28,470
Financial investments portfolio	16	105,594	124,236
Loans and advances	17	409,576	384,872
Other assets	18	903,557	345,734
Tax recoverable		14,860	11,906
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		10,210	10,549
Property, plant and equipment		19,960	20,659
Intangible assets		12,411	9,589
Deferred tax assets		10,385	22,938
TOTAL ASSETS		1,996,080	1,303,401
LIABILITIES			
Deposits and placements from a licensed bank		357,336	111,152
Derivative liabilities	20 (i)	39,002	9,552
Other liabilities	19	1,016,137	529,637
Provision for taxation and zakat		851	723
TOTAL LIABILITIES		1,413,326	651,064
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		532,638	602,221
TOTAL EQUITY		582,754	652,337
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,996,080	1,303,401
COMMITMENTS AND CONTINGENCIES	27	1,364,761	1,009,063

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

<u>Bank</u>	Notes	30 June 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds	14	448,741	310,464
Deposits and placements with financial institutions	15	24,095	27,173
Financial investments portfolio	16	105,594	124,236
Loans and advances	17	409,576	384,872
Other assets	18	900,924	343,394
Tax recoverable		13,374	10,630
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,269	203,269
Investment in a joint venture		9,878	9,878
Property, plant and equipment		19,841	20,532
Intangible assets		12,411	9,589
Deferred tax assets		10,385	22,938
TOTAL ASSETS		2,158,193	1,467,080
LIABILITIES			
Deposits and placements from a licensed bank		357,336	111,152
Derivative liabilities	20 (i)	39,002	9,552
Other liabilities	19	1,186,449	702,710
Provision for taxation and zakat		851	723
TOTAL LIABILITIES		1,583,638	824,137
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		524,439	592,827
TOTAL EQUITY		574,555	642,943
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,158,193	1,467,080
COMMITMENTS AND CONTINGENCIES	27	1,364,761	1,009,063

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2014

<u>Group</u>	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Interest income	21	9,904	8,587	18,596	21,379
Interest expense	22	(2,501)	(3,016)	(3,592)	(8,071)
Net interest income		7,403	5,571	15,004	13,308
Net income from Islamic					
Banking Scheme operations	29	5,565	8,004	11,419	26,274
Non-interest income	23	107,918	120,393	195,421	221,441
Net income		120,886	133,968	221,844	261,023
Overhead expenses	24	(75,002)	(69,779)	(134,021)	(143,029)
Operating profit		45,884	64,189	87,823	117,994
(Allowance for)/ writeback of impairment on loans and advances and other debtors, net	25	(3,533)	404	(3,941)	(1,113)
Writeback of allowance for commitments and contingencies		500	-	500	-
		42,851	64,593	84,382	116,881
Share of results of a joint venture		(339)	-	(339)	-
Profit before taxation and zakat		42,512	64,593	84,043	116,881
Taxation and zakat		(23,289)	(15,098)	(23,289)	(29,995)
Profit for the period, attributable to equity holder of the Bank		19,223	49,495	60,754	86,886
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		38	99	121	173
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		-	1,028	(337)	1,506
Reclassification of loss on financial investments available-for-sale to profit or loss, net		-	-	-	(906)
Unrealised loss on revaluation of financial investments available-for-sale, net		-	(4,943)	-	(3,905)
Income tax effect		-	(2)	-	(4)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, representing other comprehensive income for the period		-	(3,917)	(337)	(3,309)
Total comprehensive income for the period, attributable to equity holder of the Bank		19,223	45,578	60,417	83,577

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD

(15938-H)

(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

Bank	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Interest income	21	9,764	8,370	18,318	20,907
Interest expense	22	(2,501)	(3,016)	(3,592)	(8,071)
Net interest income		7,263	5,354	14,726	12,836
Net income from Islamic Banking Scheme operations	29	5,565	8,004	11,419	26,274
Non-interest income	23	105,164	119,998	193,214	220,895
Net income		117,992	133,356	219,359	260,005
Overhead expenses	24	(74,356)	(68,414)	(132,493)	(139,269)
Operating profit		43,636	64,942	86,866	120,736
Allowance for impairment on loans and advances and other debtors, net	25	(3,533)	(274)	(3,941)	(1,278)
Writeback of allowance for commitments and contingencies		-	-	500	-
Profit before taxation and zakat		40,103	64,668	83,425	119,458
Taxation and zakat		(10,033)	(15,196)	(21,813)	(30,075)
Profit for the period, attributable to equity holder of the Bank		30,070	49,472	61,612	89,383
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealised gain on revaluation of financial investments available-for-sale, net		-	12	-	18
Income tax effect		-	(2)	-	(4)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, representing other comprehensive income for the period		-	10	-	14
Total comprehensive income for the period, attributable to equity holder of the Bank		30,070	49,482	61,612	89,397

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2014

<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 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 (Note 10)	-	-	-	-	-	(130,000)		(130,000)
At 30 June 2014	50,116	172,669	50,116	(24,677)	(419)	334,949		582,754
At 1 January 2013	50,116	172,669	50,116	18,984	(6,130)	444,462		730,217
Profit for the period	-	-	-	-	-	86,886		86,886
Other comprehensive income	-	-	-	(4,815)	1,506	-		(3,309)
Total comprehensive income for the period	-	-	-	(4,815)	1,506	86,886		83,577
Dividends	-	-	-	-	-	(176,408)		(176,408)
At 30 June 2013	50,116	172,669	50,116	14,169	(4,624)	354,940		637,386

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes to the interim financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2014

<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 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 (Note 10)	-	-	-	-	(130,000)	(130,000)
At 30 June 2014	50,116	172,669	50,116	-	301,654	574,555
At 1 January 2013	50,116	172,669	50,116	(1)	413,937	686,837
Profit for the period	-	-	-	-	89,383	89,383
Other comprehensive income	-	-	-	14	-	14
Total comprehensive income for the period	-	-	-	14	89,383	89,397
Dividends	-	-	-	-	(176,408)	(176,408)
At 30 June 2013	50,116	172,669	50,116	13	326,912	599,826

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes to the interim financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2014

	Group		Bank	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Profit before taxation and zakat	84,043	116,881	83,425	119,458
Adjustment for non-operating and non-cash items	<u>(1,565)</u>	13,231	<u>(744)</u>	12,903
Operating profit before working capital changes	82,478	130,112	82,681	132,361
Changes in working capital:				
Net changes in operating assets	(571,351)	(92,675)	(572,210)	(92,246)
Net changes in operating liabilities	777,430	410,889	775,006	410,252
Taxation and zakat paid, net	<u>(13,562)</u>	<u>(76,716)</u>	<u>(11,876)</u>	<u>(75,753)</u>
Net cash generated from operating activities	274,995	371,610	273,601	374,614
Net cash used in investing activities	(5,324)	(4,899)	(5,324)	(4,899)
Net cash used in financing activity - dividends paid	(130,000)	(176,408)	(130,000)	(176,408)
Net increase in cash and cash equivalents	139,671	190,303	138,277	193,307
Cash and cash equivalents at beginning of the period	344,343	330,142	310,464	271,642
Cash and cash equivalents at end of the period	484,014	520,445	448,741	464,949

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements)

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

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 2013. 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 2013.

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 2013 except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRSs") and Interpretation of the Issues Committee ("IC Interpretation") with effective date of 1 January 2014:

- MFRS 10 Consolidated Financial Statements - Investment Entities (Amendments to MFRS 10)
- MFRS 12 Disclosure of Interest in Other Entities - Investment Entities (Amendments to MFRS 12)
- MFRS 127 Separate Financial Statements - Investment Entities (Amendments to MFRS 127)
- MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
- MFRS 136 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
- MFRS 139 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
- IC Interpretation 21 Levies

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

On 4 February 2014, Bank Negara Malaysia ("BNM") issued a letter requiring banking institutions to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.20% of total outstanding loans/financing, net of individual impairment allowance, pursuant to paragraph 13 of the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing. The regulatory reserve is maintained in addition to the collective impairment allowance required under MFRS, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015. The adoption of this new regulatory requirement is not expected to have any financial impact to the profit or loss of the Group and of the Bank.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2013 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 2013.

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 2013.

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

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2013 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 2014.

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

During the second quarter ended 30 June 2014, 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 2014.

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 2014.

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 2014.

10. Dividends

(i) Dividend paid

At the Annual General Meeting on 4 April 2014, a single-tier final dividend in respect of the financial year ended 31 December 2013 of approximately RM2.59 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM130,000,000 was approved and subsequently paid to the shareholder.

(i) Proposed dividend

The Board of Directors have proposed a single-tier interim dividend in respect of the financial year ending 31 December 2014 of 0.98 sen on 50,116,000 ordinary shares, amounting to a net dividend payment of RM49,113,680 (30 June 2013: a single-tier interim dividend of RM1.39 per ordinary share, amounting to a net dividend paid of RM69,661,240).

11. Significant and Subsequent Events

There was no significant and subsequent events during the second quarter ended 30 June 2014.

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

12. Performance Review

For the period ended 30 June 2014, the Group recorded a lower operating profit compared to the last corresponding period due to the reduction in number of investment banking deals. Operating profit dipped by 25.6% from RM117.9 million to RM87.8 million.

The net interest income increased by 12.7% to RM15.0 million. Non-interest income decreased by 11.8% from RM221.4 million to RM195.4 million due to lower fee-based income from investment banking business. The Islamic Banking income contracted by RM14.9 million from RM26.3 million due to a relatively slower sukuk activities. The net income recorded a decrease of RM39.2 million or 15.0% to RM221.8 million.

Overhead expenses decreased by 6.3% or RM9.0 million to RM134.0 million from RM143.0 million. This was largely caused by the decrease in personnel related costs.

The Group's profit before taxation and zakat declined by 28.1% or RM32.8 million from RM116.9 million to RM84.1 million. Profit for the period decreased by 30.1% or RM26.1 million to RM60.8 million compared to the previous corresponding period.

13. Prospects

The global Gross Domestic Product ("GDP") is forecasted to grow by 3.4% in 2014 from 3.2% in 2013. The major advanced economies – US, Europe and Japan – simultaneously expanding for the first time since 2010 amid continued sub-8% expansion in China and the generally lackluster growth in other large emerging economies. Economic growth trends in ASEAN are projected to be mixed, reflecting the tailwinds from firmer external demand and headwinds to domestic demand that include structural challenges, macroeconomic policy adjustments and political uncertainty.

Malaysia's macroeconomic outlook is positive given the robust GDP growth momentum (2014E: 6.0%; 2013: 4.7%), tightening fiscal policy through reduction in energy subsidies and the impending implementation of Goods and Services Tax to address the budget deficit. However, the fiscal consolidation measures are expected to create some inflationary pressures. This has prompted Bank Negara Malaysia to raise the Overnight Policy Rate from 3.00% to 3.25% in July 2014. We expect another 25 basis points hike in September or November this year.

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.

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

14. Cash and short-term funds

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
	Cash and bank balances with financial institutions	173,573	287,575	145,600
Deposit placements maturing within one month	310,441	56,768	303,141	50,968
Total	484,014	344,343	448,741	310,464

The monies held-in-trust for clients by the Group and the Bank as at the reporting date are approximately RM136,608,000 (31 December 2013: RM131,100,000). 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 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
	Licensed bank	25,408	28,470	24,095

16. Financial investments portfolio

		Group and Bank	
		30 June 2014 RM'000	31 December 2013 RM'000
		Financial assets at fair value through profit or loss	(i)
Financial investments available-for-sale	(ii)	35,430	37,630
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		105,594	124,236

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
	At fair value	
Quoted financial investments:		
Shares in Malaysia	67,387	28,488
Shares outside Malaysia	2,744	3,236
	70,131	31,724
Unquoted financial investments:		
Private debt securities in Malaysia	-	54,849
Total financial assets at fair value through profit or loss	70,131	86,573

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

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

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
At fair value		
Unquoted financial investments:		
Shares and loan stocks in Malaysia	35,427	37,627
Shares outside Malaysia	3	3
Total financial investments available-for-sale	35,430	37,630

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 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	
	30 June 2014 RM'000	31 December 2013 RM'000
Term loans		
- Syndicated term loan	6,447	6,447
- Other term loans	1,453	1,391
Amount due from brokers and clients		
- Margin accounts	388,839	364,302
Foreign currency loans	3,081	3,152
Staff loans	16,023	15,847
Gross loans and advances	415,843	391,139
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,267)	(6,267)
Net loans and advances	409,576	384,872

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
Domestic business enterprises	138,251	154,212
Individuals	271,670	233,775
Foreign entities	5,922	3,152
Gross loans and advances	415,843	391,139

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

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

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
Fixed rate		
- Housing loans	9,689	9,440
- Hire purchase receivables	6,036	6,091
- Other fixed rate loans	298	316
Variable rate		
- BLR-plus	10,981	10,990
- Cost-plus	388,839	364,302
Gross loans and advances	415,843	391,139

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
Purchase of securities	388,839	364,302
Purchase of transport vehicles	6,196	6,251
Purchase of residential landed property	10,982	10,671
Personal use	297	314
Consumer durables	1	2
Working capital	9,528	9,599
Gross loans and advances	415,843	391,139

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
Maturing within one year	398,692	374,190
One year to three years	2,298	1,744
Three years to five years	3,468	4,060
After five years	11,385	11,145
Gross loans and advances	415,843	391,139

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
At 1 January	7,015	7,009
Impaired during the period/year	-	29
Recovered/regularised during the period/year	(7)	(23)
Gross impaired loans and advances	7,008	7,015
Less: Individual assessment allowance	(6,267)	(6,267)
Balance at end of period/year	741	748
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.18%	0.19%

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

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

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

	Group and Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	405	412
Working capital	6,447	6,447
Gross impaired loans and advances	7,008	7,015

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

	Group and Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
At 1 January	6,267	6,267
Allowance made during the period/year	-	11
Amount written back during the period/year	-	(11)
Balance at end of period/year	6,267	6,267

18. **Other assets**

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	860,644	314,586	860,644	314,586
Amount due from ultimate holding company	3,199	4,830	3,199	4,830
Other debtors, deposits and prepayment	53,759	36,026	49,157	31,717
	917,602	355,442	913,000	351,133
Less: Allowance for impairment losses	(14,045)	(9,708)	(12,076)	(7,739)
	903,557	345,734	900,924	343,394

(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 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Provisions and accruals	61,247	112,203	60,273	111,666
Provision for commitments and contingencies	-	500	-	500
Amount due to brokers and clients (a)	784,108	325,648	784,108	325,648
Deposits and other creditors	170,782	91,286	342,068	264,896
	1,016,137	529,637	1,186,449	702,710

(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.

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

20. Derivative financial instruments

(i) Derivative liabilities

	Group and Bank			
	30 June 2014		31 December 2013	
	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	190,713	38,624	75,780	9,020
- One year to three years	192,555	378	194,360	532
	383,268	39,002	270,140	9,552

(ii) 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 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Equity related derivatives:				
Index futures	(22)	(31)	-	(5)
Equity options	8,073	(231)	11,696	(13,588)
Commodity related derivatives:				
Commodity futures	-	(14)	-	-
Commodity options	-	605	-	2,531
	8,051	329	11,696	(11,062)

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

21. Interest income

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	7,026	5,513	13,902	11,345
- Interest income on impaired loans	24	30	44	63
Money at call and deposits and placements with financial institutions	2,800	2,911	4,155	6,450
Financial assets at fair value through profit or loss	-	132	391	3,611
Others	54	1	104	(90)
Total interest income	9,904	8,587	18,596	21,379

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	7,026	5,513	13,902	11,345
- Interest income on impaired loans	24	30	44	63
Money at call and deposits and placements with financial institutions	2,660	2,694	3,877	5,978
Financial assets at fair value through profit or loss	-	132	391	3,611
Others	54	1	104	(90)
Total interest income	9,764	8,370	18,318	20,907

22. Interest expense

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a licensed bank	2,501	3,016	3,592	8,071

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

23. Non-interest income

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Fee and commission income:				
Arranger and upfront fees	24,630	29,397	63,871	46,613
Brokerage income	52,846	52,156	90,597	84,374
Corporate advisory fees	5,836	14,341	8,492	23,149
Placement and related fees	13,573	19,541	14,773	51,175
Underwriting commission	771	-	771	341
Others	3,263	3,333	6,217	5,594
	100,919	118,768	184,721	211,246
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(3,593)	140	(4,747)	1,739
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(1,457)	(1,039)	(1,921)	739
Realised gain from sale of derivative financial instruments, net	3,453	1,227	3,937	16,524
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (ii))	8,051	329	11,696	(11,062)
Realised gain from sale of financial investments available-for-sale, net	12	-	905	-
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	40	312	355	312
- Quoted outside Malaysia	-	602	-	602
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	74	304	119	521
- Quoted outside Malaysia	37	-	41	-
	6,617	1,875	10,385	9,375
Other income:				
Foreign exchange gain/(loss), net	203	(35)	(428)	131
Gain from disposal of property, plant and equipment	11	-	66	-
Others	168	(215)	677	689
	382	(250)	315	820
Total non-interest income	107,918	120,393	195,421	221,441

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

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Bank	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Arranger and upfront fees	24,630	29,397	63,871	46,613
Brokerage income	52,846	52,156	90,597	84,374
Corporate advisory fees	3,291	13,756	5,284	22,239
Placement and related fees	13,573	19,541	14,773	51,175
Underwriting commission	771	-	771	341
Others	3,263	3,333	6,217	5,594
	98,374	118,183	181,513	210,336
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(3,593)	140	(4,747)	1,739
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(1,457)	(1,039)	(1,921)	739
Realised gain from sale of derivative financial instruments, net	3,453	1,227	3,937	16,524
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (ii))	8,051	329	11,696	(11,062)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	40	312	355	312
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	74	304	119	521
- Quoted outside Malaysia	37	-	41	-
Gain from disposal of investment in associate	-	-	-	508
	6,605	1,273	9,480	9,281
Other income:				
Foreign exchange gain/(loss), net	5	375	(691)	710
Gain from disposal of property, plant and equipment	11	-	66	-
Others	169	167	2,846	568
	185	542	2,221	1,278
Total non-interest income	105,164	119,998	193,214	220,895

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

24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	46,691	45,187	81,878	98,289
- Pension costs - defined contribution plan	4,078	3,695	8,057	7,038
- Employees' Share Scheme expenses	2,568	3,803	4,455	5,752
- Other staff related expenses	1,900	2,012	3,373	4,238
	<u>55,237</u>	<u>54,697</u>	<u>97,763</u>	<u>115,317</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,283	877	2,513	1,641
- Amortisation of computer software	645	589	1,269	1,233
- Rental	2,708	2,761	5,432	5,162
- Repairs and maintenance of property, plant and equipment	2,488	1,848	3,799	3,735
- Information technology expenses	1,591	1,627	2,780	2,496
- Service chargeback	(5,481)	(4,594)	(9,879)	(8,239)
- Others	2,380	1,745	3,822	3,469
	<u>5,614</u>	<u>4,853</u>	<u>9,736</u>	<u>9,497</u>
Marketing costs				
- Advertisement and publicity	2,498	2,224	5,176	3,623
- Others	1,991	2,920	4,217	5,111
	<u>4,489</u>	<u>5,144</u>	<u>9,393</u>	<u>8,734</u>
Administration and general expenses				
- Fee and brokerage	8,002	3,604	14,467	6,422
- Administrative expenses	890	1,024	1,836	2,056
- General expenses	770	457	826	1,003
	<u>9,662</u>	<u>5,085</u>	<u>17,129</u>	<u>9,481</u>
Total overhead expenses	<u>75,002</u>	<u>69,779</u>	<u>134,021</u>	<u>143,029</u>

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

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

Bank	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
- Salaries, allowances and bonuses	46,691	45,187	81,878	98,289
- Pension costs - defined contribution plan	4,078	3,695	8,057	7,038
- Employees' Share Scheme expenses	2,568	3,803	4,455	5,752
- Other staff related expenses	1,899	1,991	3,372	4,202
	55,236	54,676	97,762	115,281
Establishment costs				
- Depreciation of property, plant and equipment	1,279	873	2,505	1,633
- Amortisation of computer software	645	589	1,269	1,233
- Rental	2,708	2,762	5,432	5,163
- Repairs and maintenance of property, plant and equipment	2,488	1,848	3,798	3,735
- Information technology expenses	1,591	1,627	2,780	2,496
- Service chargeback	(6,080)	(6,043)	(11,345)	(11,971)
- Others	2,380	1,745	3,822	3,469
	5,011	3,401	8,261	5,758
Marketing costs				
- Advertisement and publicity	2,498	2,224	5,176	3,623
- Others	1,994	2,917	4,226	5,107
	4,492	5,141	9,402	8,730
Administration and general expenses				
- Fee and brokerage	7,972	3,626	14,408	6,368
- Administrative expenses	876	1,114	1,835	2,130
- General expenses	769	456	825	1,002
	9,617	5,196	17,068	9,500
Total overhead expenses	74,356	68,414	132,493	139,269

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

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 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
(Allowance for)/writeback of impaired loans and advances:				
Individual assessment				
- Made during the period	-	-	-	(11)
- Written back during the period	-	6	-	11
Bad debts recovered	382	21	396	175
(Allowance for)/writeback of impairment on other debtors, net	(3,915)	377	(4,337)	(1,288)
Total	(3,533)	404	(3,941)	(1,113)

<u>Bank</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
(Allowance for)/writeback of impaired loans and advances:				
Individual assessment				
- Made during the period	-	-	-	(11)
- Written back during the period	-	6	-	11
Bad debts recovered	382	21	396	175
Allowance for impairment on other debtors, net	(3,915)	(301)	(4,337)	(1,453)
Total	(3,533)	(274)	(3,941)	(1,278)

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 capital adequacy requirements applicable in 2013 and 2014 of the Capital Adequacy Framework (Capital Components) under the transitional arrangements are 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.

With effect from 30 June 2014, the credit RWA for margin and non-margin exposures were computed to include credit risk mitigation and unsettled trades respectively. Comparatives were restated without the impact of credit risk mitigation and unsettled trades.

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

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:

<u>At 30 June 2014</u>	Group %	Bank %
Capital ratios		
CET1 capital ratio	33.076	31.224
Tier 1 capital ratio	33.076	31.224
Total capital ratio	<u>33.076</u>	<u>31.224</u>
<u>At 31 December 2013</u>	Group %	Bank %
Capital ratios		
CET1 capital ratio	33.133	31.356
Tier 1 capital ratio	33.133	31.356
Total capital ratio	<u>33.133</u>	<u>31.356</u>

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

<u>At 30 June 2014</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	309,853	301,654
CET1 capital before regulatory adjustments	<u>582,754</u>	<u>574,555</u>
Less: Deferred tax assets	(10,385)	(10,385)
Intangible assets	(12,411)	(12,411)
Investment in subsidiaries and joint venture ¹	(10,210)	(41,672)
CET1 capital/Tier 1 capital/Total capital	<u>549,748</u>	<u>510,087</u>
<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	<u>652,337</u>	<u>642,943</u>
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	<u>609,151</u>	<u>568,634</u>

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.

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

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 2014				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	205,916	205,916	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	425,328	425,328	85,066	6,805
Corporates	138,982	131,066	129,058	10,325
Regulatory retail	274,320	79,854	75,516	6,041
Higher risk assets	35,430	35,430	53,145	4,252
Other assets	143,699	143,699	98,779	7,902
Total on-balance sheet exposures	1,223,675	1,021,293	441,564	35,325
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	815,628	815,628	478	38
Total off-balance sheet exposures	845,628	845,628	3,478	278
Total on and off-balance sheet exposures	2,069,303	1,866,921	445,042	35,603
(ii) <u>Market Risk</u>				
Equity position risk	-	-	22,156	1,772
Foreign currency risk	-	-	54,243	4,339
Options risk	-	-	226,840	18,147
Total	-	-	303,239	24,258
(iii) <u>Operational Risk</u>	-	-	913,772	73,102
Total RWA and capital requirements	2,069,303	1,866,921	1,662,053	132,963

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

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 2013				
Exposure Class	RM'000	RM'000	RM'000	RM'000
(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	553,052	125,714	10,057
Corporates	254,523	254,523	259,069	20,726
Regulatory retail	277,575	277,575	259,130	20,730
Higher risk assets	37,657	37,657	56,485	4,519
Other assets	131,551	131,551	61,623	4,930
Total on-balance sheet exposures	1,254,793	1,254,793	762,021	60,962
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	1,993,716	765,298	61,224
(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	1,993,716	1,838,501	147,081

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

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
30 June 2014				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	205,916	205,916	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	388,743	388,743	77,749	6,220
Corporates	138,982	131,066	129,058	10,325
Regulatory retail	274,320	79,854	75,516	6,041
Higher risk assets	35,430	35,430	53,145	4,252
Other assets	140,949	140,949	96,030	7,682
Total on-balance sheet exposures	1,184,340	981,958	431,498	34,520
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	815,628	815,628	478	38
Total off-balance sheet exposures	845,628	845,628	3,478	278
Total on and off-balance sheet exposures	2,029,968	1,827,586	434,976	34,798
(ii) <u>Market Risk</u>				
Equity position risk	-	-	22,156	1,772
Foreign currency risk	-	-	48,176	3,854
Options risk	-	-	226,840	18,147
	-	-	297,172	23,773
(iii) <u>Operational Risk</u>	-	-	901,504	72,120
Total RWA and capital requirements	2,029,968	1,827,586	1,633,652	130,691

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

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	517,878	118,679	9,494
Corporates	254,523	254,523	259,069	20,726
Regulatory retail	277,575	277,575	259,130	20,730
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	1,217,150	752,505	60,201
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	1,956,073	755,782	60,463
(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
Total	-	-	192,100	15,368
(iii) <u>Operational Risk</u>	-	-	865,607	69,249
Total RWA and capital requirements	1,956,073	1,956,073	1,813,489	145,080

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

27. Commitments and Contingencies

Group and Bank	As at 30 June 2014			As at 31 December 2013		
	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	165,865	82,933	189,814	30,000	15,000	3,000
Revocable commitments to extend credit:						
- Maturity not exceeding one year	814,673	-	-	708,370	-	-
- Maturity exceeding one year	955	478	478	553	277	277
	981,493	83,411	190,292	738,923	15,277	3,277
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	190,713	-	-	75,780	-	-
- One year to less than three years	192,555	-	-	194,360	-	-
	383,268	-	-	270,140	-	-
Total commitments and contingencies	1,364,761	83,411	190,292	1,009,063	15,277	3,277

* 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

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 RM177.3 million or any other sum that the Court deems fit.

The trial dates of August 2014 has been adjourned. A case management date has been fixed on 17 September 2014. The matter is fixed for continued trial from 10 to 14 November 2014, 17 to 19 November 2014, 21 to 22 January 2015, 26 to 29 January 2015 and 9 to 12 February 2015.

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

Case 2

On 4 September 2013, a recovery action was filed by Maybank 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 Maybank's action as well as a Counterclaim against Maybank 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

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

27. Commitments and Contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (Cont'd)

(b) the loans transaction were entered into by the Plaintiff arising from purported representations made by the Bank concerning the PDS.

In the Counterclaim, the Plaintiff sought the following reliefs 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, Maybank and the Bank were obliged to pay to the Plaintiff.

On 9 May 2014, the High Court had dismissed Maybank's application for summary judgement and Maybank's and the Bank's application to strike out the counterclaim. The Bank had on 22 May 2014 filed an appeal on the High Court's decision to strike out the counterclaim and the hearing was fixed for 25 August 2014.

On 14 August 2014, the Plaintiff and its guarantors entered into a settlement agreement with Maybank and the Bank, wherein inter alia, the Plaintiff and the Subsidiary agreed to withdraw all their claims/counterclaims against Maybank and the Bank. On 22 August 2014, the Plaintiff and the Subsidiary had withdrawn all their claims/counterclaims against Maybank and the Bank with no order as to costs and no liberty to file afresh.

On 25 August 2014, the Bank had withdrawn the appeal with no order as to costs.

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.

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

28. Segment information (Cont'd)

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 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	<u>100,460</u>	<u>119,688</u>	<u>1,696</u>	<u>221,844</u>
Results				
Segment results	100,460	119,688	1,696	221,844
Overhead expenses	(33,506)	(49,237)	(51,278)	(134,021)
Allowance for 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	<u>65,662</u>	<u>67,603</u>	<u>(49,222)</u>	<u>84,043</u>
Taxation and zakat				<u>(23,289)</u>
Profit for the period				<u><u>60,754</u></u>
Other segment information				
Depreciation	121	735	1,657	2,513
Amortisation	2	393	874	1,269
	<hr/>			
Group	Pillar 1	Pillar 2	Others	Total
30 June 2013	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	(2,191)	1,583	13,916	13,308
Net income from Islamic Banking Scheme operations	23,745	2,529	-	26,274
Non-interest income	133,962	80,266	7,213	221,441
Total revenue	<u>155,516</u>	<u>84,378</u>	<u>21,129</u>	<u>261,023</u>
Results				
Segment results	155,516	84,378	21,129	261,023
Overhead expenses	(61,849)	(47,637)	(33,543)	(143,029)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(1,826)	(26)	739	(1,113)
Profit before taxation	<u>91,841</u>	<u>36,715</u>	<u>(11,675)</u>	<u>116,881</u>
Taxation and zakat				<u>(29,995)</u>
Profit for the period				<u><u>86,886</u></u>
Other segment information				
Depreciation	25	272	1,344	1,641
Amortisation	1	307	925	1,233
	<hr/>			

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

29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 June 2014

	Notes	Group and Bank	
		30 June 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds	(a)	12,894	8,894
Other assets	(b)	158,655	157,280
Total assets		171,549	166,174
LIABILITIES			
Other liabilities	(c)	1,411	1,337
Provision for taxation and zakat	(d)	10,524	9,060
Total liabilities		11,935	10,397
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		154,614	150,777
		159,614	155,777
Total liabilities and Islamic banking fund		171,549	166,174

**Unaudited Statements of Comprehensive Income
For the Second Quarter Ended 30 June 2014**

Group and Bank	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Income derived from investment of Islamic banking capital funds	(e)	5,565	8,004	11,419	26,274
Income attributable to the Group and the Bank		5,565	8,004	11,419	26,274
Overhead expenses	(f)	(3,406)	(2,913)	(6,076)	(10,872)
Profit before taxation and zakat		2,159	5,091	5,343	15,402
Taxation		(730)	(1,273)	(1,336)	(3,851)
Zakat		(105)	(43)	(170)	(140)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		1,324	3,775	3,837	11,411

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

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

Unaudited Statements of Changes in Equity
For the Second Quarter Ended 30 June 2014

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
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
At 1 January 2013	5,000	126,548	131,548
Profit for the period	-	11,411	11,411
Total comprehensive income for the period	-	11,411	11,411
At 30 June 2013	5,000	137,959	142,959

Unaudited Statements of Cash Flows
For the Second Quarter Ended 30 June 2014

	Group and Bank	
	30 June 2014 RM'000	30 June 2013 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	5,343	15,402
Increase in financial investments portfolio	-	(188,000)
Increase in receivables	(1,375)	(12,240)
Increase in payables	32	187,505
Net cash generated from operating activities	4,000	2,667
Net increase in cash and cash equivalents	4,000	2,667
Cash and cash equivalents at beginning of the period	8,894	37,709
Cash and cash equivalents at end of the period	12,894	40,376

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

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

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Cash and bank balances with financial institutions	94	194
Deposit placements maturing within one month	12,800	8,700
	<u>12,894</u>	<u>8,894</u>

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Debtors and prepayments	158,655	157,280

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Provisions and accruals	1,411	1,337

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Taxation	9,673	8,337
Zakat	851	723
	<u>10,524</u>	<u>9,060</u>

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Gross income from:				
- Financial assets at fair value through profit or loss	-	190	-	1,094
- Deposits and placements with financial institutions	89	233	157	356
Realised gain from sale of financial assets at fair value through profit or loss, net	206	2,335	954	12,198
Fee and commission income from:				
- Arranger and upfront fees	1,675	2,403	3,690	7,503
- Brokerage income	1,753	1,658	3,246	2,649
- Corporate advisory fees	565	135	645	387
- Underwriting commission	120	-	120	-
- Others	1,157	1,050	2,607	2,087
Total	<u>5,565</u>	<u>8,004</u>	<u>11,419</u>	<u>26,274</u>

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

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

(f) Overhead expenses

Group and Bank	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Personnel expenses	3,047	2,782	5,500	10,996
Establishment costs				
- Service chargeback	(266)	(467)	(720)	(1,898)
- Other establishment costs	222	253	667	831
Marketing expenses	149	230	298	541
Administration and general expenses	254	115	331	402
Total	3,406	2,913	6,076	10,872

(g) Capital adequacy

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

	Group and Bank %
<u>At 30 June 2014</u>	
Capital ratios	
CET1 capital ratio	62.056
Tier 1 capital ratio	62.056
Total capital ratio	<u>62.056</u>
<u>At 31 December 2013</u>	
Capital ratios	
CET1 capital ratio	59.040
Tier 1 capital ratio	59.040
Total capital ratio	<u>59.040</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 2014</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	154,614
CET1 capital/Tier 1 capital/Total capital	<u>159,614</u>
<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	<u>155,777</u>

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

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>				
30 June 2014	Gross Credit	Net Credit	Risk-weighted	Capital
Exposure Class	exposures	exposures	assets	requirements
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	92	92	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	12,803	12,803	2,561	205
Other assets	334,004	334,004	99,167	7,933
Total on-balance sheet exposures	346,899	346,899	101,728	8,138
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	346,899	346,899	101,728	8,138
(ii) Market Risk				
Foreign currency risk	-	-	2	-
(iii) Operational Risk				
	-	-	155,482	12,439
Total RWA and capital requirements	346,899	346,899	257,212	20,577
<u>Group and Bank</u>				
31 December 2013	Gross Credit	Net Credit	Risk-weighted	Capital
Exposure Class	exposures	exposures	assets	requirements
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
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) Market Risk				
Foreign currency risk	-	-	2	-
(iii) Operational Risk				
	-	-	168,655	13,492
Total RWA and capital requirements	314,590	314,590	263,852	21,107

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

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 reporting 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 Shariah members.

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

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 2014 and 31 December 2013.

	<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	
<u>Group and Bank</u>				
As at 30 June 2014				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	70,131	-	-	70,131
Financial liabilities measured at fair values:				
Derivative liabilities	24,735	14,267	-	39,002
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

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

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 are determined by reference to prices quoted by independent data providers and independent broker quotations.

Derivative financial instruments

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

31. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Outstanding credit exposures with connected parties	3,081	3,152
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	0.74%	0.71%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	-	-

The credit exposure above are based on paragraph 9.1 of Bank Negara Malaysia's revised guidelines on Credit Transactions and Exposures with Connected Parties.