

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

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

<u>Group</u>	Notes	30 September 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds	14	419,375	344,343
Deposits and placements with financial institutions	15	36,171	28,470
Financial investments portfolio	16	179,465	124,236
Loans and advances	17	354,629	384,872
Other assets	18	445,472	345,734
Tax recoverable		12,664	11,906
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		10,268	10,549
Property, plant and equipment		20,085	20,659
Intangible assets		12,832	9,589
Deferred tax assets		11,425	22,938
TOTAL ASSETS		1,502,491	1,303,401
LIABILITIES			
Deposits and placements from a licensed bank		309,928	111,152
Derivative liabilities	20 (i)	39,830	9,552
Other liabilities	19	564,178	529,637
Provision for taxation and zakat		513	723
TOTAL LIABILITIES		914,449	651,064
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		537,926	602,221
TOTAL EQUITY		588,042	652,337
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,502,491	1,303,401
COMMITMENTS AND CONTINGENCIES	27	1,283,263	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
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

<u>Bank</u>	Notes	30 September 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds	14	389,546	310,464
Deposits and placements with financial institutions	15	27,841	27,173
Financial investments portfolio	16	179,465	124,236
Loans and advances	17	354,629	384,872
Other assets	18	445,863	343,394
Tax recoverable		10,920	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		19,969	20,532
Intangible assets		12,832	9,589
Deferred tax assets		11,425	22,938
TOTAL ASSETS		1,665,742	1,467,080
LIABILITIES			
Deposits and placements from a licensed bank		309,928	111,152
Derivative liabilities	20 (i)	39,830	9,552
Other liabilities	19	735,172	702,710
Provision for taxation and zakat		513	723
TOTAL LIABILITIES		1,085,443	824,137
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		530,183	592,827
TOTAL EQUITY		580,299	642,943
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,665,742	1,467,080
COMMITMENTS AND CONTINGENCIES	27	1,283,263	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
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(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

<u>Group</u>	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Interest income	21	8,644	8,716	27,240	30,095
Interest expense	22	(2,614)	(2,121)	(6,206)	(10,192)
Net interest income		6,030	6,595	21,034	19,903
Net income from Islamic					
Banking Scheme operations	29	4,824	6,407	16,243	32,681
Non-interest income	23	126,563	52,676	321,984	274,117
Net income		137,417	65,678	359,261	326,701
Overhead expenses	24	(76,666)	(59,831)	(210,687)	(202,860)
Operating profit		60,751	5,847	148,574	123,841
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	25	3,540	(929)	(401)	(2,042)
Writeback of impairment on financial investments available-for-sale		9,011	-	9,011	-
(Allowance for)/writeback of commitments and contingencies		-	(127)	500	(127)
		73,302	4,791	157,684	121,672
Share of results of a joint venture		58	-	(281)	-
Profit before taxation and zakat		73,360	4,791	157,403	121,672
Taxation and zakat		(19,156)	(1,262)	(42,445)	(31,257)
Profit for the period, attributable to equity holder of the Bank		54,204	3,529	114,958	90,415
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		108	7	229	180
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		198	1,639	(139)	3,145
Reclassification of gain on financial investments available-for-sale to profit or loss, net		-	-	-	(906)
Unrealised gain/(loss) on revaluation of financial investments available-for-sale, net		-	2,430	-	(1,475)
Income tax effect		-	-	-	(4)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, representing other comprehensive income for the period		198	4,069	(139)	760
Total comprehensive income for the period, attributable to equity holder of the Bank		54,402	7,598	114,819	91,175

(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)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

Bank	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Interest income	21	8,559	8,498	26,877	29,405
Interest expense	22	(2,614)	(2,121)	(6,206)	(10,192)
Net interest income		5,945	6,377	20,671	19,213
Net income from Islamic Banking Scheme operations	29	4,824	6,407	16,243	32,681
Non-interest income	23	126,609	51,693	319,823	272,588
Net income		137,378	64,477	356,737	324,482
Overhead expenses	24	(75,913)	(58,690)	(208,406)	(197,959)
Operating profit		61,465	5,787	148,331	126,523
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	25	3,540	(755)	(401)	(2,033)
Writeback of impairment on financial investments available-for-sale		9,011	-	9,011	-
(Allowance for)/writeback of commitments and contingencies		-	(127)	500	(127)
Profit before taxation and zakat		74,016	4,905	157,441	124,363
Taxation and zakat		(19,158)	(1,242)	(40,971)	(31,317)
Profit for the period, attributable to equity holder of the Bank		54,858	3,663	116,470	93,046
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealised loss on revaluation of financial investments available-for-sale, net		-	(18)	-	-
Income tax effect		-	4	-	-
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, representing other comprehensive income for the period		-	(14)	-	-
Total comprehensive income for the period, attributable to equity holder of the Bank		54,858	3,649	116,470	93,046

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	-	-	-	114,958	114,958
Other comprehensive income	-	-	-	-	(139)	-	(139)
Total comprehensive income for the period	-	-	-	-	(139)	114,958	114,819
Dividends (Note 10)	-	-	-	-	-	(179,114)	(179,114)
At 30 September 2014	50,116	172,669	50,116	(24,677)	(221)	340,039	588,042
At 1 January 2013	50,116	172,669	50,116	18,984	(6,130)	444,462	730,217
Profit for the period	-	-	-	-	-	90,415	90,415
Other comprehensive income	-	-	-	(2,385)	3,145	-	760
Total comprehensive income for the period	-	-	-	(2,385)	3,145	90,415	91,175
Dividends	-	-	-	-	-	(246,065)	(246,065)
At 30 September 2013	50,116	172,669	50,116	16,599	(2,985)	288,812	575,327

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

	<-----Non-distributable----->				Distributable	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000
<u>Bank</u>						
At 1 January 2014	50,116	172,669	50,116	-	370,042	642,943
Profit for the period	-	-	-	-	116,470	116,470
Total comprehensive income for the period	-	-	-	-	116,470	116,470
Dividends (Note 10)	-	-	-	-	(179,114)	(179,114)
At 30 September 2014	50,116	172,669	50,116	-	307,398	580,299
At 1 January 2013	50,116	172,669	50,116	(1)	413,937	686,837
Profit for the period	-	-	-	-	93,046	93,046
Total comprehensive income for the period	-	-	-	-	93,046	93,046
Dividends	-	-	-	-	(246,065)	(246,065)
At 30 September 2013	50,116	172,669	50,116	(1)	260,918	533,818

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

	Group		Bank	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Profit before taxation and zakat	157,403	121,672	157,441	124,363
Adjustment for non-operating and non-cash items	(7,490)	22,184	(6,841)	21,617
Operating profit before working capital changes	<u>149,913</u>	<u>143,856</u>	<u>150,600</u>	<u>145,980</u>
Changes in working capital:				
Net changes in operating assets	(153,858)	(4,084)	(150,497)	(9,984)
Net changes in operating liabilities	297,104	87,915	295,164	88,299
Taxation and zakat paid, net	(31,900)	(91,489)	(29,958)	(90,003)
Net cash generated from operating activities	<u>261,259</u>	<u>136,198</u>	<u>265,309</u>	<u>134,292</u>
Net cash used in investing activities	<u>(7,113)</u>	<u>(17,382)</u>	<u>(7,113)</u>	<u>(12,882)</u>
Net cash used in financing activity - dividends paid	<u>(179,114)</u>	<u>(246,065)</u>	<u>(179,114)</u>	<u>(246,065)</u>
Net increase/(decrease) in cash and cash equivalents	<u>75,032</u>	<u>(127,249)</u>	<u>79,082</u>	<u>(124,655)</u>
Cash and cash equivalents at beginning of the period	<u>344,343</u>	<u>330,142</u>	<u>310,464</u>	<u>271,642</u>
Cash and cash equivalents at end of the period	<u>419,375</u>	<u>202,893</u>	<u>389,546</u>	<u>146,987</u>

(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)

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

1. Basis of Preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 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 that has been assessed and recognised in accordance with 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 new regulatory requirement by 31 December 2015. Upon adoption of this new regulatory requirement, there will be no impact to the profit or loss of the Group and of the Bank and any resulted impact will be recorded in the statement of changes in equity 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.

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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 third quarter ended 30 September 2014.

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

During the third quarter ended 30 September 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 third quarter ended 30 September 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 third quarter ended 30 September 2014.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the third quarter ended 30 September 2014.

10. Dividends

(i) Dividends paid

(a) 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.

(b) On 27 August 2014, a single-tier interim dividend in respect of the financial year ending 31 December 2014 of RM0.98 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM49,113,680 was approved and subsequently paid to the shareholder.

11. Significant and Subsequent Events

There was no significant and subsequent events during the third quarter ended 30 September 2014.

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12. Performance Review

For the period ended 30 September 2014, the Group recorded a higher operating profit compared to the previous corresponding period due to the increase in number of investment banking deals. Operating profit grew by 20.0% from RM123.8 million to RM148.6 million.

The net interest income increased by 5.7% to RM21.0 million. Non-interest income increased by 17.5% from RM274.1 million to RM322.0 million due to higher fee-based income from investment banking business. However, the Islamic Banking income contracted by RM16.4 million from RM32.7 million due to a relatively slower sukuk activities. Overall, the net income recorded an increase of RM32.6 million or 10.0% to RM359.3 million.

Overhead expenses increased by 3.9% or RM7.8 million to RM210.7 million from RM202.9 million. This was mainly caused by higher administrative and general expenses.

The Group's profit before taxation and zakat increased by 29.4% or RM35.7 million from RM121.7 million to RM157.4 million. Profit for the period increased by 27.1% or RM24.5 million to RM115.0 million compared to the previous corresponding period.

13. Prospects

The global Gross Domestic Product ("GDP") is expected to grow by 3.3% in 2014, similar to the growth in 2013. Although the US economy is experiencing a steady expansion, China is at sub-8% growth, while Euro Zone and Japan remains stagnation. Closer to home, the economic growth trend in ASEAN is also mixed, mainly reflecting domestic-specific factors that include structural challenges, macroeconomic policy adjustments and political uncertainty.

Malaysia's GDP improved (2014E: 5.9%; 2013: 4.7%) on the back of investment-driven domestic demand and supported by recovery in external demand which offset the impact of budget deficit control and fuel and energy subsidy reforms. However, government cash assistance for the lower income group in the form of BR1M is expected to mitigate the impact. At the same time, Bank Negara Malaysia's decision to keep the Overnight Policy Rate at 3.25% in September and November 2014 after the 25 basis points hike in July 2014 is to sustain the growth momentum as the risk of financial imbalances is seen to be under control.

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	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Cash and bank balances with financial institutions	216,947	287,575	194,068	259,496
Deposit placements maturing within one month	202,428	56,768	195,478	50,968
Total	419,375	344,343	389,546	310,464

The monies held-in-trust for clients by the Group and the Bank as at the reporting date are approximately RM191,374,000 (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 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Licensed bank	36,171	28,470	27,841	27,173

16. Financial investments portfolio

		Group and Bank	
		30 September 2014 RM'000	31 December 2013 RM'000
Financial assets at fair value through profit or loss	(i)	134,991	86,573
Financial investments available-for-sale	(ii)	44,441	37,630
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		179,465	124,236

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

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
At fair value		
Quoted financial investments:		
Shares in Malaysia	132,451	28,488
Shares outside Malaysia	2,540	3,236
	134,991	31,724
Unquoted financial investments:		
Private debt securities in Malaysia	-	54,849
Total financial assets at fair value through profit or loss	134,991	86,573

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
At fair value		
Unquoted financial investments:		
Shares and loan stocks in Malaysia	44,438	37,627
Shares outside Malaysia	3	3
Total financial investments available-for-sale	<u>44,441</u>	<u>37,630</u>

(iii) Financial investments held-to-maturity

	Group and Bank	
	30 September 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	<u>33</u>	<u>33</u>

17. Loans and advances

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Term loans		
- Syndicated term loan	6,447	6,447
- Other term loans	1,452	1,391
Amount due from brokers and clients		
- Margin accounts	332,458	364,302
Foreign currency loans	3,139	3,152
Staff loans	17,400	15,847
Gross loans and advances	<u>360,896</u>	<u>391,139</u>
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,267)	(6,267)
Net loans and advances	<u>354,629</u>	<u>384,872</u>

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

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Domestic business enterprises	48,846	154,212
Individuals	306,627	233,775
Foreign entities	5,423	3,152
Gross loans and advances	<u>360,896</u>	<u>391,139</u>

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Fixed rate		
- Housing loans	9,693	9,440
- Hire purchase receivables	7,245	6,091
- Other fixed rate loans	462	316
Variable rate		
- BLR-plus	11,038	10,990
- Cost-plus	332,458	364,302
Gross loans and advances	360,896	391,139

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

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of securities	332,458	364,302
Purchase of transport vehicles	7,406	6,251
Purchase of residential landed property	10,985	10,671
Personal use	462	314
Consumer durables	-	2
Working capital	9,585	9,599
Gross loans and advances	360,896	391,139

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

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Maturing within one year	342,718	374,190
One year to three years	2,083	1,744
Three years to five years	4,519	4,060
After five years	11,576	11,145
Gross loans and advances	360,896	391,139

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

	Group and Bank	
	30 September 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	(11)	(23)
Gross impaired loans and advances	7,004	7,015
Less: Individual assessment allowance	(6,267)	(6,267)
Balance at end of period/year	737	748
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.21%	0.19%

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	401	412
Working capital	6,447	6,447
Gross impaired loans and advances	7,004	7,015

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

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 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 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	404,007	314,586	404,007	314,586
Amount due from ultimate holding company	3,553	4,830	3,553	4,830
Other debtors, deposits and prepayments	51,184	36,026	49,606	31,717
	458,744	355,442	457,166	351,133
Less: Allowance for impairment losses	(13,272)	(9,708)	(11,303)	(7,739)
	445,472	345,734	445,863	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 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Provisions and accruals	65,917	112,203	65,464	111,666
Provision for commitments and contingencies	-	500	-	500
Amount due to brokers and clients (a)	345,860	325,648	345,860	325,648
Deposits and other creditors	152,401	91,286	323,848	264,896
	564,178	529,637	735,172	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.

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20. Derivative financial instruments

(i) Derivative liabilities

	Group and Bank			
	30 September 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	145,446	35,104	75,780	9,020
- One year to three years	183,368	135	194,360	532
	328,814	35,239	270,140	9,552
Equity swaps				
- Less than one year	60,000	4,591	-	-
	388,814	39,830	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 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Equity related derivatives:				
Index futures	-	(28)	-	(33)
Equity options	(2,713)	(735)	8,983	(14,323)
Equity swaps	(4,591)	-	(4,591)	-
Commodity related derivatives:				
Commodity options	-	870	-	3,401
	(7,304)	107	4,392	(10,955)

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21. Interest income

Group	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Loans and advances				
- Interest income other than on impaired loans	6,098	6,117	20,000	17,462
- Interest income on impaired loans	21	15	65	78
Money at call and deposits and placements with financial institutions	2,446	2,620	6,601	9,070
Financial assets at fair value through profit or loss	-	-	391	3,611
Others	79	(36)	183	(126)
Total interest income	8,644	8,716	27,240	30,095

Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Loans and advances				
- Interest income other than on impaired loans	6,098	6,117	20,000	17,462
- Interest income on impaired loans	21	15	65	78
Money at call and deposits and placements with financial institutions	2,361	2,402	6,238	8,380
Financial assets at fair value through profit or loss	-	-	391	3,611
Others	79	(36)	183	(126)
Total interest income	8,559	8,498	26,877	29,405

22. Interest expense

Group and Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Deposits and placements from a licensed bank	2,614	2,121	6,206	10,192

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23. Non-interest income

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Fee and commission income:				
Arranger and upfront fees	70,887	1,925	134,758	48,538
Brokerage income	43,972	35,274	134,569	119,648
Corporate advisory fees	3,842	4,573	12,334	27,722
Placement and related fees	(2,060)	3,332	12,713	54,507
Underwriting commission	116	673	887	1,014
Others	2,777	2,362	8,994	7,956
	<u>119,534</u>	<u>48,139</u>	<u>304,255</u>	<u>259,385</u>
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(22,972)	(285)	(27,719)	1,454
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	12,007	12	10,086	751
Realised gain from sale of derivative financial instruments, net	25,319	2,658	29,256	19,182
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (ii))	(7,304)	107	4,392	(10,955)
Realised gain from sale of financial investments available-for-sale, net	-	-	880	-
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	-	355	312
- Quoted outside Malaysia	-	762	-	1,364
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	452	98	571	619
- Quoted outside Malaysia	26	87	67	87
	<u>7,528</u>	<u>3,439</u>	<u>17,888</u>	<u>12,814</u>
Other income:				
Foreign exchange (loss)/gain, net	(688)	453	(1,116)	584
Gain from disposal of property, plant and equipment	-	-	66	-
Others	189	645	891	1,334
	<u>(499)</u>	<u>1,098</u>	<u>(159)</u>	<u>1,918</u>
Total non-interest income	<u>126,563</u>	<u>52,676</u>	<u>321,984</u>	<u>274,117</u>

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23. Non-interest income (Cont'd)

<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Fee and commission income:				
Arranger and upfront fees	70,887	1,925	134,758	48,538
Brokerage income	43,972	35,274	134,569	119,648
Corporate advisory fees	3,697	4,092	8,981	26,331
Placement and related fees	(2,060)	3,332	12,713	54,507
Underwriting commission	116	673	887	1,014
Others	2,777	2,362	8,994	7,956
	<u>119,389</u>	<u>47,658</u>	<u>300,902</u>	<u>257,994</u>
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(22,972)	(285)	(27,719)	1,454
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	12,007	12	10,086	751
Realised gain from sale of derivative financial instruments, net	25,319	2,658	29,256	19,182
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (ii))	(7,304)	107	4,392	(10,955)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	-	355	312
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	452	98	571	619
- Quoted outside Malaysia	26	87	67	87
Gain from disposal of investment in associate	-	-	-	508
	<u>7,528</u>	<u>2,677</u>	<u>17,008</u>	<u>11,958</u>
Other income:				
Foreign exchange (loss)/gain, net	(486)	975	(1,177)	1,685
Gain from disposal of property, plant and equipment	-	-	66	-
Others	178	383	3,024	951
	<u>(308)</u>	<u>1,358</u>	<u>1,913</u>	<u>2,636</u>
Total non-interest income	<u>126,609</u>	<u>51,693</u>	<u>319,823</u>	<u>272,588</u>

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24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	47,576	30,980	129,454	129,269
- Pension costs - defined contribution plan	4,108	3,705	12,165	10,743
- Employees' Share Scheme expenses	2,954	3,010	7,409	8,762
- Other staff related expenses	3,446	3,043	6,819	7,281
	58,084	40,738	155,847	156,055
Establishment costs				
- Depreciation of property, plant and equipment	1,054	858	3,567	2,499
- Amortisation of computer software	667	592	1,936	1,825
- Rental	2,829	2,661	8,261	7,823
- Repairs and maintenance of property, plant and equipment	2,241	2,153	6,040	5,888
- Information technology expenses	1,393	1,663	4,173	4,159
- Service chargeback	(6,137)	(231)	(16,016)	(8,470)
- Others	1,962	2,263	5,784	5,732
	4,009	9,959	13,745	19,456
Marketing costs				
- Advertisement and publicity	1,505	947	6,681	4,570
- Others	2,689	3,053	6,906	8,164
	4,194	4,000	13,587	12,734
Administration and general expenses				
- Fee and brokerage	7,868	3,528	22,335	9,950
- Administrative expenses	1,968	1,215	3,804	3,271
- General expenses	543	391	1,369	1,394
	10,379	5,134	27,508	14,615
Total overhead expenses	76,666	59,831	210,687	202,860

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24. Overhead expenses (Cont'd)

Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	47,576	30,980	129,454	129,269
- Pension costs - defined contribution plan	4,108	3,705	12,165	10,743
- Employees' Share Scheme expenses	2,954	1,458	7,409	7,210
- Other staff related expenses	3,446	4,560	6,818	8,762
	58,084	40,703	155,846	155,984
Establishment costs				
- Depreciation of property, plant and equipment	1,051	853	3,556	2,486
- Amortisation of computer software	667	592	1,936	1,825
- Rental	2,829	2,661	8,261	7,824
- Repairs and maintenance of property, plant and equipment	2,239	2,153	6,037	5,888
- Information technology expenses	1,393	1,663	4,173	4,159
- Service chargeback	(6,838)	(1,148)	(18,183)	(13,119)
- Others	1,962	2,263	5,784	5,732
	3,303	9,037	11,564	14,795
Marketing costs				
- Advertisement and publicity	1,505	946	6,681	4,569
- Others	2,689	3,055	6,915	8,162
	4,194	4,001	13,596	12,731
Administration and general expenses				
- Fee and brokerage	7,842	3,537	22,250	9,905
- Administrative expenses	1,947	1,020	3,782	3,150
- General expenses	543	392	1,368	1,394
	10,332	4,949	27,400	14,449
Total overhead expenses	75,913	58,690	208,406	197,959

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

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Writeback of/(allowance for) impaired loans and advances:				
Individual assessment				
- Made during the period	-	-	-	(11)
- Written back during the period	-	-	-	11
Bad debts recovered	2,767	10	3,163	185
Writeback of/(allowance for) impairment on other debtors, net	773	(939)	(3,564)	(2,227)
Total	3,540	(929)	(401)	(2,042)

<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Writeback of/(allowance for) impaired loans and advances:				
Individual assessment				
- Made during the period	-	-	-	(11)
- Written back during the period	-	-	-	11
Bad debts recovered	2,767	10	3,163	185
Writeback of/(allowance for) impairment on other debtors, net	773	(765)	(3,564)	(2,218)
Total	3,540	(755)	(401)	(2,033)

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.

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26. Capital adequacy (Cont'd)

(I) Capital Adequacy Framework (Cont'd)

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

	Group	Bank
	%	%
<u>At 30 September 2014</u>		
Capital ratios		
CET1 capital ratio	31.686	29.633
Tier 1 capital ratio	31.686	29.633
Total capital ratio	31.686	29.633
<u>At 31 December 2013</u>		
Capital ratios		
CET1 capital ratio	33.133	31.356
Tier 1 capital ratio	33.133	31.356
Total capital ratio	33.133	31.356

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

	Group	Bank
	RM'000	RM'000
<u>At 30 September 2014</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	260,937	252,540
CET1 capital before regulatory adjustments	533,838	525,441
Less: Deferred tax assets	(11,425)	(11,425)
Intangible assets	(12,832)	(12,832)
Investment in subsidiaries and joint venture ¹	(10,268)	(41,672)
CET1 capital/Tier 1 capital/Total capital	499,313	459,512
<u>At 31 December 2013</u>		
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

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.

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26. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 September 2014				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	163,261	163,261	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	489,422	489,422	97,884	7,831
Corporates	49,777	14,567	12,488	999
Regulatory retail	308,833	81,116	76,840	6,147
Higher risk assets	44,441	44,441	66,661	5,333
Other assets	73,406	73,406	64,025	5,122
Total on-balance sheet exposures	1,129,140	866,213	317,898	25,432
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	774,449	774,449	400	32
Total off-balance sheet exposures	804,449	804,449	3,400	272
Total on and off-balance sheet exposures	1,933,589	1,670,662	321,298	25,704
(ii) <u>Market Risk</u>				
Equity position risk	-	-	17,927	1,434
Foreign currency risk	-	-	88,011	7,041
Options risk	-	-	146,513	11,721
Total	-	-	252,451	20,196
(iii) <u>Operational Risk</u>				
	-	-	1,002,079	80,166
Total RWA and capital requirements	1,933,589	1,670,662	1,575,828	126,066

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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 2013	RM'000	RM'000	RM'000	RM'000
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	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

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26. Capital adequacy (Cont'd)

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

<u>Bank</u>	Gross exposures	Net Exposures	Risk-weighted assets	Capital requirements
30 September 2014 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	163,261	163,261	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	451,281	451,281	90,256	7,220
Corporates	49,777	14,567	12,488	999
Regulatory retail	308,833	81,116	76,840	6,147
Higher risk assets	44,441	44,441	66,661	5,333
Other assets	73,663	73,663	64,284	5,143
Total on-balance sheet exposures	1,091,256	828,329	310,529	24,842
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	774,449	774,449	400	32
Total off-balance sheet exposures	804,449	804,449	3,400	272
Total on and off-balance sheet exposures	1,895,705	1,632,778	313,929	25,114
(ii) <u>Market Risk</u>				
Equity position risk	-	-	17,927	1,434
Foreign currency risk	-	-	81,956	6,556
Options risk	-	-	146,513	11,721
	-	-	246,396	19,711
(iii) <u>Operational Risk</u>				
	-	-	990,349	79,228
Total RWA and capital requirements	1,895,705	1,632,778	1,550,674	124,053

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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 2013	RM'000	RM'000	RM'000	RM'000
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

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27. Commitments and Contingencies

Group and Bank	As at 30 September 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	120,000	60,000	126,750	30,000	15,000	3,000
Revocable commitments to extend credit:						
- Maturity not exceeding one year	773,649	-	-	708,370	-	-
- Maturity exceeding one year	800	400	400	553	277	277
	894,449	60,400	127,150	738,923	15,277	3,277
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	205,446	-	-	75,780	-	-
- One year to less than three years	183,368	-	-	194,360	-	-
	388,814	-	-	270,140	-	-
Total commitments and contingencies	1,283,263	60,400	127,150	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 Writ of 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.

Trial commenced on 25 November 2013 and the parties last appeared before the High Court for trial on 13 November 2014. The remaining trial dates in November 2014 were vacated. Trial will resume on 21 January 2015 in accordance to the earlier scheduled trial dates of 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 an even chance of succeeding in defending against the claim.

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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.

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28. Segment information (Cont'd)

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

Group	Pillar 1	Pillar 2	Others	Total
30 September 2014	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	1,080	19,854	100	21,034
Net income from Islamic Banking Scheme operations	11,553	4,690	-	16,243
Non-interest income	165,629	156,384	(29)	321,984
Total revenue	178,262	180,928	71	359,261
Results				
Segment results	178,262	180,928	71	359,261
Overhead expenses	(51,646)	(79,370)	(79,671)	(210,687)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(707)	306	-	(401)
Writeback of impairment on financial investments available-for-sale	9,011	-	-	9,011
Writeback of allowance for commitments and contingencies	-	-	500	500
Share of results of a joint venture	-	-	(281)	(281)
Profit before taxation	134,920	101,864	(79,381)	157,403
Taxation and zakat				(42,445)
Profit for the period				114,958
Other segment information				
Depreciation	197	926	2,444	3,567
Amortisation	3	633	1,300	1,936
Group				
30 September 2013				
	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	2,008	2,787	15,108	19,903
Net income from Islamic Banking Scheme operations	29,274	3,407	-	32,681
Non-interest income	144,381	124,761	4,975	274,117
Total revenue	175,663	130,955	20,083	326,701
Results				
Segment results	175,663	130,955	20,083	326,701
Overhead expenses	(65,728)	(72,549)	(64,583)	(202,860)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(2,598)	556	-	(2,042)
Allowance for commitments and contingencies	-	-	(127)	(127)
Profit before taxation	107,337	58,962	(44,627)	121,672
Taxation and zakat				(31,257)
Profit for the period				90,415
Other segment information				
Depreciation	70	440	1,989	2,499
Amortisation	3	458	1,364	1,825

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 September 2014

	Notes	Group and Bank	
		30 September 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds	(a)	15,691	8,894
Other assets	(b)	157,884	157,280
Total assets		<u>173,575</u>	<u>166,174</u>
LIABILITIES			
Other liabilities	(c)	1,562	1,337
Provision for taxation and zakat	(d)	10,766	9,060
Total liabilities		<u>12,328</u>	<u>10,397</u>
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		156,247	150,777
		<u>161,247</u>	<u>155,777</u>
Total liabilities and Islamic banking fund		<u>173,575</u>	<u>166,174</u>

**Unaudited Statements of Comprehensive Income
For the Third Quarter Ended 30 September 2014**

Group and Bank	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Income derived from investment of Islamic banking capital funds	(e)	4,824	6,407	16,243	32,681
Income attributable to the Group and the Bank		4,824	6,407	16,243	32,681
Overhead expenses	(f)	(2,503)	(3,565)	(8,579)	(14,437)
Profit before taxation and zakat		2,321	2,842	7,664	18,244
Taxation		(580)	(213)	(1,916)	(4,064)
Zakat		(108)	(8)	(278)	(148)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		<u>1,633</u>	<u>2,621</u>	<u>5,470</u>	<u>14,032</u>

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

Unaudited Statements of Changes in Equity
For the Third Quarter Ended 30 September 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	-	5,470	5,470
Total comprehensive income for the period	-	5,470	5,470
At 30 September 2014	5,000	156,247	161,247
At 1 January 2013	5,000	126,548	131,548
Profit for the period	-	14,032	14,032
Total comprehensive income for the period	-	14,032	14,032
At 30 September 2013	5,000	140,580	145,580

Unaudited Statements of Cash Flows
For the Third Quarter Ended 30 September 2014

	Group and Bank	
	30 September 2014 RM'000	30 September 2013 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	7,664	18,244
Increase in financial investments portfolio	-	(48,427)
Increase in receivables	(604)	(3,687)
Decrease in payables	(263)	(3,487)
Net cash generated from/(used in) operating activities	6,797	(37,357)
Net increase/(decrease) in cash and cash equivalents	6,797	(37,357)
Cash and cash equivalents at beginning of the period	8,894	37,709
Cash and cash equivalents at end of the period	15,691	352

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

(a) Cash and short-term funds

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Cash and bank balances with financial institutions	90	194
Deposit placements maturing within one month	15,601	8,700
	15,691	8,894

(b) Other assets

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Debtors and prepayments	157,884	157,280

(c) Other liabilities

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Provisions and accruals	1,562	1,337

(d) Provision for taxation and zakat

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Taxation	10,253	8,337
Zakat	513	723
	10,766	9,060

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

Group and Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Gross income from:				
- Financial assets at fair value through profit or loss	-	1,221	-	2,315
- Deposits and placements with financial institutions	114	121	271	477
Realised gain from sale of financial assets at fair value through profit or loss, net	476	1,674	1,430	13,872
Fee and commission income from:				
- Arranger and upfront fees	1,520	1,521	5,210	9,024
- Brokerage income	1,444	758	4,690	3,407
- Corporate advisory fees	115	42	760	429
- Underwriting commission	-	-	120	-
- Others	1,155	1,070	3,762	3,157
Total	4,824	6,407	16,243	32,681

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

(f) Overhead expenses

Group and Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	1,969	3,760	7,469	14,756
Establishment costs				
- Service chargeback	(59)	(769)	(779)	(2,667)
- Other establishment costs	297	396	964	1,227
Marketing expenses	110	168	408	709
Administration and general expenses	186	10	517	412
Total	2,503	3,565	8,579	14,437

(g) Capital adequacy

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

	Group and Bank
	%
<u>At 30 September 2014</u>	
Capital ratios	
CET1 capital ratio	49.571
Tier 1 capital ratio	49.571
Total capital ratio	<u>49.571</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 September 2014</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	<u>154,614</u>
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	<u>150,777</u>
CET1 capital/Tier 1 capital/Total capital	<u>155,777</u>

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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:

Group and Bank				
30 September 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	88	88	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	15,603	15,603	3,121	250
Other assets	336,340	336,340	99,434	7,955
Total on-balance sheet exposures	352,031	352,031	102,555	8,205
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	352,031	352,031	102,555	8,205
(ii) Market Risk				
Foreign currency risk	-	-	2	-
(iii) Operational Risk				
Total RWA and capital requirements	352,031	352,031	321,991	25,760
Group and Bank				
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	-
(ii) Operational Risk				
Total RWA and capital requirements	314,590	314,590	263,852	21,107

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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 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.

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30. Fair value of financial instruments

Fair value hierarchy

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

(a) Level 1: Quoted prices

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

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

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

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

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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 September 2014 and 31 December 2013.

	<u>Valuation techniques using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
<u>Group and Bank</u>				
As at 30 September 2014				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	134,991	-	-	134,991
Financial liabilities measured at fair values:				
Derivative liabilities	23,179	16,651	-	39,830
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

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

Valuation techniques

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

Financial assets at fair value through profit or loss

The fair values of financial assets 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.