

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

Directors' Report and Audited Financial Statements
31 December 2014

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

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MAYBANK INVESTMENT BANK BERHAD

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Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014.

Principal activities

The Bank is principally engaged in the investment banking business including Islamic Banking Scheme operations, provision of stockbroking services and related financial services.

The principal activities of the subsidiaries are described in Note 12 to the financial statements.

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

Results

	Group RM'000	Bank RM'000
Profit before taxation and zakat	260,233	255,759
Taxation and zakat	(49,215)	(47,717)
Profit for the year	<u>211,018</u>	<u>208,042</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Bank since 31 December 2013 were as follows:

	RM'000
In respect of the financial year ended 31 December 2013 as reported in the Directors' report of that period:	
A single-tier final dividend of approximately RM2.59 on 50,116,000 ordinary shares, declared on 4 April 2014 and paid on 11 April 2014	130,000
In respect of the financial year ended 31 December 2014:	
A single-tier first interim dividend of RM0.98 on 50,116,000 ordinary shares, declared on 27 August 2014 and paid on 5 September 2014	49,114

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Dividends (cont'd.)

The amount of dividends paid by the Bank since 31 December 2013 were as follows: (cont'd.)

RM'000

In respect of the financial year ended 31 December 2014: (cont'd.)

Second interim dividend, comprising of a single-tier dividend of approximately RM1.25 on 50,116,000 ordinary shares and a dividend in-specie of 2,100,000 ordinary shares in Cagamas Holdings Berhad at a fair value of RM84,483,000, declared and payable on 10 December 2014

147,027
326,141

The Directors do not recommend the payment of final dividend in respect of the current financial year.

Maybank Group Employees' Share Scheme ("ESS")

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by the shareholders of the holding company, Malayan Banking Berhad ("Maybank") at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within Maybank Group.

The maximum number of ordinary shares of RM1 each in Maybank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

Issue of share capital

There was no issuance of shares in the Bank during the financial year.

Directors

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)

Cheah Teik Seng

Datuk Abdul Farid bin Alias

Datuk Mohaiyani binti Shamsudin

Lee Siang Korn @ Lee Siang Chin

Datuk Karownakaran @ Karunakaran a/l Ramasamy (resigned on 25 November 2014)

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Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiaries was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than those arises from the share options and Restricted Share Units ("RSU") granted pursuant to the ESS.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors of the Bank or from the holding company or the fixed salary of a full time employee of the holding company as shown in Note 26 to the financial statements) by reason of a contract made by the Bank or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares, share options and RSU in the holding company, Maybank during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	As at 1.1.2014	Issued pursuant to RSU	Issued pursuant to DRP [^]	As at 31.12.2014
Holding company				
Direct interest				
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	39,787	-	2,081	41,868
Datuk Abdul Farid bin Alias	-	80,798	4,227	85,025
Indirect interest				
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor*	29,462	-	1,540	31,002
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor**	35,014	-	1,830	36,844

[^] DRP is defined as Dividend Reinvestment Plan.

* Interest by virtue of shares held by spouse.

** Interest by virtue of shares held via children's account.

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Directors' interests (cont'd.)

Holding company	Grant Date	Exercise Price (RM)	Number of options over ordinary shares of RM1 each				Vested as at 31.12.2014
			Granted	Vested as at 1.1.2014	Vested	Exercised	
Datuk Abdul Farid bin Alias	23.6.2011	8.82 [#]	1,000,000 [^]	575,000 [^]	116,000	-	691,000
	30.4.2014	9.91 ^{##}	1,410,000	-	210,000	-	210,000
			<u>2,410,000</u>	<u>575,000</u>	<u>326,000</u>	<u>-</u>	<u>901,000</u>

Holding company	Grant Date	Number of RSU of ordinary shares of RM1 each				Vested during the financial year	Outstanding as at 31.12.2014
		Granted as at 1.1.2014	Adjustment pursuant to DRP [*]	Granted 31.12.2014	Granted as at 31.12.2014		
Datuk Abdul Farid bin Alias	23.6.2011	75,000	5,798	-	80,798	80,798	-
	30.4.2012	75,000	-	-	75,000	-	75,000
	30.4.2013	75,000	-	-	75,000	-	75,000
	30.4.2014	-	-	200,000	200,000	-	200,000
		<u>225,000</u>	<u>5,798</u>	<u>200,000</u>	<u>430,798</u>	<u>80,798</u>	<u>350,000</u>

[#] Revised to RM8.75 on 29 October 2012 which is based on ESOS First Grant.

^{##} Revised to RM9.87 on 29 October 2014 which is based on ESOS Forth Grant.

[^] Shares options from ESOS granted and vested prior to the appointment as Group President and CEO are 1,000,000 and 575,000 respectively.

^{*} DRP is defined as Dividend Reinvestment Plan.

None of the other Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Rating by external rating agency

The Bank's long term rating of AAA and short term rating of P1 was reaffirmed by the Rating Agency Malaysia Berhad on 30 December 2014.

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Business outlook

The global Gross Domestic Product ("GDP") growth is expected to record a modest pickup of 3.6% in 2015 from an estimated growth of 3.3% in 2014, led by stronger US growth amid subdued growth in the Eurozone and Japan, and continued slowdown in China. On an aggregate basis, the ASEAN-6 is projected to perform better in 2015 with higher GDP growth in Indonesia, Philippines, Thailand and Vietnam amid steady growth in Singapore and slower growth in Malaysia.

Malaysia's GDP growth is forecasted to grow at 4.5% in 2015 reflecting the impact of lower commodity prices and fiscal reforms (Goods and Services Tax ("GST") and removal of fuel subsidies) on consumer and government spending. The decline in crude oil prices also poses risks to the Government budget, trade balance, exchange rate and oil and gas activities.

Despite the inflation rate rising to 3%-4% in 2015 (2014: 3.2%), Bank Negara Malaysia ("BNM") is likely to keep the Overnight Policy Rate at 3.25% for 2015 as it shifts its monetary policy bias towards sustaining growth.

The Group continues to remain proactive in capital management and maintain capital at levels above the regulatory requirements prescribed by BNM. Barring any unforeseen circumstances, the Group expects its financial performance for the financial year ending 31 December 2015 to remain satisfactory.

Other statutory information

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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Other statutory information (cont'd.)

- (b) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render:
 - (i) the amount written off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

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Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

In the preparation of the financial statements of the Group and of the Bank, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's Guidelines on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

Significant events

The significant events are as disclosed in Note 38 to the financial statements. There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 February 2015.



Tan Sri Dato' Megat Zaharuddin
bin Megat Mohd Nor



Datuk Abdul Farid bin Alias

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Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor and Datuk Abdul Farid bin Alias, being two of the Directors of Maybank Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 174, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of the results and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 February 2015.



Tan Sri Dato' Megat Zaharuddin
bin Megat Mohd Nor



Datuk Abdul Farid bin Alias

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

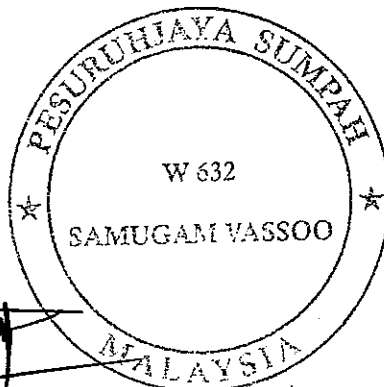
I, Mohamad Yasin bin Abdullah, being the Officer primarily responsible for the financial management of Maybank Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 174 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Mohamad Yasin bin
Abdullah at Kuala Lumpur in the Federal
Territory on 25 February 2015



Mohamad Yasin bin Abdullah

Before me,



No. 10-2, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur

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**Independent auditors' report to the member of
Maybank Investment Bank Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Maybank Investment Bank Berhad (the "Bank"), which comprise the statements of financial position as at 31 December 2014 of the Group and of the Bank, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 174.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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**Independent auditors' report to the member of
Maybank Investment Bank Berhad (cont'd.)
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia did not include any comment required to be made under Section 174(3) of the Act.



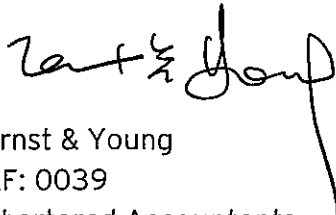
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Independent auditors' report to the member of
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Other matters

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



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
25 February 2015



Chan Hooi Lam
No. 2844/02/16(J)
Chartered Accountant

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Statements of financial position as at 31 December 2014

	Note	2014 RM'000	Group 2013 RM'000 Restated	2012 RM'000 Restated
Assets				
Cash and short-term funds	5	554,940	344,343	330,142
Deposits and placements with financial institutions	6	34,203	28,470	37,573
Financial investments portfolio	7	331,008	124,236	269,422
Loans and advances	8	238,069	384,872	375,980
Derivative assets	9(i)	14,754	-	96
Other assets	10	661,597	394,847	337,240
Tax recoverable		2,007	11,906	-
Statutory deposits with Bank Negara Malaysia	11	105	105	105
Investment in associates		-	-	4,718
Investment in a joint venture	13	10,770	10,549	-
Property, plant and equipment	14	19,742	20,659	16,059
Intangible assets	15	15,785	9,589	9,375
Deferred tax assets	16	18,339	22,938	17,681
Total assets		<u>1,901,319</u>	<u>1,352,514</u>	<u>1,398,391</u>
Liabilities				
Deposits and placements from a licensed bank		392,391	111,152	150,050
Derivative liabilities	9(ii)	23,045	9,552	8,953
Other liabilities	17	944,822	578,750	480,839
Provision for taxation and zakat		2,768	723	27,244
Deferred tax liabilities	16	-	-	1,088
Total liabilities		<u>1,363,026</u>	<u>700,177</u>	<u>668,174</u>
Equity attributable to equity holder of the Bank				
Share capital	18	50,116	50,116	50,116
Reserves	19	488,177	602,221	680,101
		<u>538,293</u>	<u>652,337</u>	<u>730,217</u>
Total liabilities and shareholder's equity		<u>1,901,319</u>	<u>1,352,514</u>	<u>1,398,391</u>
Commitments and contingencies	29	<u>1,442,194</u>	<u>1,009,063</u>	<u>827,536</u>

The accompanying notes form an integral part of the financial statements.

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Statements of financial position as at 31 December 2014 (cont'd.)

	Note	2014 RM'000	Bank 2013 RM'000 Restated	2012 RM'000 Restated
Assets				
Cash and short-term funds	5	526,132	310,464	271,642
Deposits and placements with financial institutions	6	24,162	27,173	36,312
Financial investments portfolio	7	331,008	124,236	221,330
Loans and advances	8	238,069	384,872	375,980
Derivative assets	9(i)	14,754	-	96
Other assets	10	657,871	392,507	337,452
Tax recoverable		-	10,630	-
Statutory deposits with Bank Negara Malaysia	11	105	105	105
Investment in subsidiaries	12	203,259	203,269	233,269
Investment in associates		-	-	4,200
Investment in a joint venture	13	9,878	9,878	-
Property, plant and equipment	14	19,622	20,532	15,912
Intangible assets	15	15,785	9,589	9,375
Deferred tax assets	16	18,339	22,938	17,681
Total assets		2,058,984	1,516,193	1,523,354
Liabilities				
Deposits and placements from a licensed bank		392,391	111,152	150,050
Derivative liabilities	9(ii)	23,045	9,552	8,953
Other liabilities	17	1,115,962	751,823	650,537
Provision for taxation and zakat		2,742	723	26,977
Total liabilities		1,534,140	873,250	836,517
Equity attributable to equity holder of the Bank				
Share capital	18	50,116	50,116	50,116
Reserves	19	474,728	592,827	636,721
		524,844	642,943	686,837
Total liabilities and shareholder's equity		2,058,984	1,516,193	1,523,354
Commitments and contingencies	29	1,442,194	1,009,063	827,536

The accompanying notes form an integral part of the financial statements.

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Statements of comprehensive income
For the year ended 31 December 2014

		Group		Bank	
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Interest income	20	34,961	41,273	34,486	40,384
Interest expense	21	(8,996)	(12,193)	(8,996)	(12,193)
Net interest income		25,965	29,080	25,490	28,191
Net income from Islamic Banking Scheme operations	34	29,306	49,336	29,306	49,336
Non-interest income	22	486,561	470,579	479,752	496,382
Net income		541,832	548,995	534,548	573,909
Overhead expenses	23	(296,795)	(301,254)	(293,764)	(295,056)
Operating profit		245,037	247,741	240,784	278,853
Allowance for impairment on loans and advances and other debtors, net	24	(543)	(598)	(543)	(1,115)
Writeback of impairment on financial investments available-for-sale		15,018	2,573	15,018	2,573
Allowance for impairment on investment in subsidiaries	12	-	-	-	(30,000)
Writeback off/(allowance for) commitments and contingencies	17	500	(127)	500	(127)
		260,012	249,589	255,759	250,184
Share of results of a joint venture		221	671	-	-
Profit before taxation and zakat		260,233	250,260	255,759	250,184
Taxation and zakat	25	(49,215)	(44,458)	(47,717)	(48,010)
Profit for the year, attributable to equity holder of the Bank		211,018	205,802	208,042	202,174
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank	27	421	411		

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Statements of comprehensive income
For the year ended 31 December 2014 (cont'd.)

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit for the year	211,018	205,802	208,042	202,174
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Foreign currency translation	1,079	6,048	-	-
Reclassification of (gain)/loss on financial investments available-for-sale to profit or loss, net	-	(43,661)	-	1
Total comprehensive income for the year, net of tax	<u>1,079</u>	<u>(37,613)</u>	<u>-</u>	<u>1</u>
Total comprehensive income for the year, attributable to equity holder of the Bank	<u>212,097</u>	<u>168,189</u>	<u>208,042</u>	<u>202,175</u>

The accompanying notes form an integral part of the financial statements.

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**Statements of changes in equity
For the year ended 31 December 2014**

Group	<-----Non-distributable----->					Distributable	
	Share capital (Note 18) RM'000	Share premium (Note 19) RM'000	Statutory reserve (Note 19) RM'000	Revaluation reserve (Note 19) RM'000	Exchange fluctuation reserve (Note 19) RM'000	Retained earnings (Note 19) RM'000	Total RM'000
At 1 January 2014	50,116	172,669	50,116	(24,677)	(82)	404,195	652,337
Profit for the year	-	-	-	-	-	211,018	211,018
Other comprehensive income	-	-	-	-	1,079	-	1,079
Total comprehensive income for the year	-	-	-	-	1,079	211,018	212,097
Dividends (Note 33)	-	-	-	-	-	(326,141)	(326,141)
At 31 December 2014	50,116	172,669	50,116	(24,677)	997	289,072	538,293

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**Statements of changes in equity
For the year ended 31 December 2014 (cont'd.)**

Group	<-----Non-distributable----->					Distributable	
	Share capital (Note 18) RM'000	Share premium (Note 19) RM'000	Statutory reserve (Note 19) RM'000	Revaluation reserve (Note 19) RM'000	Exchange fluctuation reserve (Note 19) RM'000	Retained earnings (Note 19) RM'000	Total RM'000
At 1 January 2013	50,116	172,669	50,116	18,984	(6,130)	444,462	730,217
Profit for the year	-	-	-	-	-	205,802	205,802
Other comprehensive income	-	-	-	(43,661)	6,048	-	(37,613)
Total comprehensive income for the year	-	-	-	(43,661)	6,048	205,802	168,189
Dividends (Note 33)	-	-	-	-	-	(246,069)	(246,069)
At 31 December 2013	50,116	172,669	50,116	(24,677)	(82)	404,195	652,337

The accompanying notes form an integral part of the financial statements.

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**Statements of changes in equity
For the year ended 31 December 2014 (cont'd.)**

Bank	<-----Non-distributable----->					Distributable	
	Share capital (Note 18) RM'000	Share premium (Note 19) RM'000	Statutory reserve (Note 19) RM'000	Revaluation reserve (Note 19) RM'000	Retained earnings (Note 19) RM'000	Total RM'000	
At 1 January 2014	50,116	172,669	50,116	-	370,042	642,943	
Profit for the year	-	-	-	-	208,042	208,042	
Total comprehensive income for the year	-	-	-	-	208,042	208,042	
Dividends (Note 33)	-	-	-	-	(326,141)	(326,141)	
At 31 December 2014	50,116	172,669	50,116	-	251,943	524,844	

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**Statements of changes in equity
For the year ended 31 December 2014 (cont'd.)**

Bank	<-----Non-distributable----->					Distributable	
	Share capital (Note 18) RM'000	Share premium (Note 19) RM'000	Statutory reserve (Note 19) RM'000	Revaluation reserve (Note 19) RM'000	Retained earnings (Note 19) RM'000	Total RM'000	
At 1 January 2013	50,116	172,669	50,116	(1)	413,937	686,837	
Profit for the year	-	-	-	-	202,174	202,174	
Other comprehensive income	-	-	-	1	-	-	1
Total comprehensive income for the year	-	-	-	1	202,174	202,175	
Dividends (Note 33)					(246,069)	(246,069)	
At 31 December 2013	50,116	172,669	50,116	-	370,042	642,943	

The accompanying notes form an integral part of the financial statements.

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Statements of cash flows
For the year ended 31 December 2014

		Group		Bank	
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Cash flows from operating activities					
Profit before taxation and zakat		260,233	250,260	255,759	250,184
Adjustments for:					
Share of results of a joint venture		(221)	(671)	-	-
Gain from disposal of investment in associate	22	-	-	-	(518)
Gain from disposal of property, plant and equipment	22	(235)	(46)	(235)	(46)
Depreciation of property, plant and equipment	23	4,873	3,418	4,858	3,401
Amortisation of computer software	23	2,709	2,428	2,709	2,428
Writeback of impairment on financial investments available-for-sale		(15,018)	(2,573)	(15,018)	(2,573)
Allowance for impairment on other debtors, net	24	3,732	794	3,732	1,311
Allowance for impairment on investment in subsidiaries	12	-	-	-	30,000
Gross dividends	22	(3,137)	(2,682)	(3,137)	(72,567)
Realised loss from sale of financial assets at fair value through profit or loss, net	22	41,367	324	41,367	324
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	22	18,159	85	18,159	85
Realised gain from sale of derivative financial instruments, net	22	(54,529)	(20,934)	(54,529)	(20,934)
Unrealised (gain)/loss on revaluation of derivative financial instruments, net	22	(21,887)	11,598	(21,887)	11,598
Realised gain from sale of financial investments available-for-sale, net	22	(74,562)	(41,626)	(73,626)	(24)
Operating profit before working capital changes		161,484	200,375	158,152	202,669

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Statements of cash flows

For the year ended 31 December 2014 (cont'd.)

		Group		Bank	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Cash flows from operating activities (cont'd.)					
Change in deposits and placements with financial institutions		(5,733)	9,103	3,011	9,139
Change in financial investments portfolio and derivative financial instruments		(103,526)	155,346	(104,462)	109,314
Change in loans and advances		146,803	(8,892)	146,803	(8,892)
Change in other assets		(269,403)	(52,353)	(269,086)	(56,366)
Change in deposits and placements from a licensed bank		281,239	(38,898)	281,239	(38,898)
Change in other liabilities		219,045	97,911	217,112	101,286
Cash generated from operations		429,909	362,592	432,769	318,252
Taxation and zakat paid, net		(32,672)	(89,230)	(30,469)	(90,151)
Net cash generated from operating activities		397,237	273,362	402,300	228,101
Cash flows from investing activities					
Purchase of property, plant and equipment	14	(4,736)	(8,021)	(4,726)	(8,021)
Purchase of computer software	15	(7,037)	(2,642)	(7,037)	(2,642)
Purchase of additional ordinary share in a joint venture		-	(9,878)	-	(9,878)
Proceeds from disposal of property, plant and equipment		1,110	49	1,108	46
Proceeds from disposal of investment in associate		-	4,718	-	4,718
Net dividends received		3,137	2,682	3,137	72,567
Net cash (used in)/generated from investing activities		(7,526)	(13,092)	(7,518)	56,790

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Statements of cash flows

For the year ended 31 December 2014 (cont'd.)

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from financing activity				
Dividends paid, representing net cash used in financing activity	<u>(179,114)</u>	<u>(246,069)</u>	<u>(179,114)</u>	<u>(246,069)</u>
Net increase in cash and cash equivalents	210,597	14,201	215,668	38,822
Cash and cash equivalents at beginning of the year	<u>344,343</u>	<u>330,142</u>	<u>310,464</u>	<u>271,642</u>
Cash and cash equivalents at end of the year	<u>554,940</u>	<u>344,343</u>	<u>526,132</u>	<u>310,464</u>

The accompanying notes form an integral part of the financial statements.

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Notes to the financial statements - 31 December 2014

1. Corporate information

The Bank is principally engaged in the investment banking business including Islamic Banking Scheme ("IBS") operations, provision of stockbroking services and related financial services. The principal activities of the subsidiaries are described in Note 12 to the financial statements.

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 32nd Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia.

The holding company of the Bank is Malayan Banking Berhad ("Maybank"), a licensed commercial bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2015.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 2.3.

The financial statements incorporate those activities relating to the IBS which have been undertaken by the Group and the Bank. IBS refers generally to acceptance of deposits, granting of financing, provision of stockbroking services and related financial services under the principles of Shariah.

The Group and the Bank present the statements of financial position in order of liquidity.

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2. Accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

Financial assets and financial liabilities are offset and the net amounts are reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statements of comprehensive income unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and of the Bank.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), unless otherwise stated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2014.

The financial statements of the Bank's subsidiaries are prepared for the same reporting date as the Bank, using consistent accounting policies for transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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2. Accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the profit or loss or retained earnings, if required in accordance with other MFRS.

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

Subsidiaries are entities controlled by the Bank. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

In the Bank's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the profit or loss.

(b) Investment in associate and joint venture

Associate is an entity in which the Group and the Bank have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Investment in associate and joint venture (cont'd.)

Investment in associate and joint venture are accounted for using the equity method. Under the equity method, investment in associate and joint venture are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate and joint venture since the acquisition date. Goodwill relating to the associate and joint venture are included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statements of comprehensive income reflects the Group's share of the results of operations of the associate and joint venture. Where there has been a change recognised directly in the equity of the associate and joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate and joint venture.

When the Group's share of losses in associate or joint venture equals or exceeds its investment in associate or joint venture, including any long-term interests that, in substance, form part of the Group's net investment in associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Group's share of profit or loss of the associate and joint venture is shown on the face of the statements of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate and joint venture. The financial statements of the associate and joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate and joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in associate and joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying amount, then recognises the loss as 'share of results of associate and joint venture in the profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the profit or loss.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual term, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") is measured at fair value with changes in fair value recognised either in the profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Business combinations and goodwill (cont'd.)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative fair values of the disposed operation and the portion of the cash-generating unit retained.

(d) Intangible assets

Intangible assets include license and computer software. Intangible assets are recognised only when its costs can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following from the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite or infinite. Intangible assets with infinite lives are not amortised but are tested for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are amortised over their estimated finite useful lives as follows:

Computer software	25%
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Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group and the Bank commit to purchase or sell the asset.

(ii) Subsequent measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, financial investments held-to-maturity or financial investments available-for-sale.

(1) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as financial assets HFT unless they are designated as effective hedging instruments. The Group and the Bank have not designated any financial assets at FVTPL.

Subsequent to initial recognition, financial assets at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value are recognised in the profit or loss.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks, loans and advances, and other receivables. These financial assets are initially recognised at fair value, including direct and incremental transactions costs, and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

(3) Financial investments held-to-maturity ("HTM")

Financial investments HTM are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group and the Bank have the intention and ability to hold to maturity.

Subsequent to initial recognition, financial investments HTM are measured at amortised cost using the effective interest method, less accumulated impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The amortisation of premium, accretion of discount, losses arising from impairment, and gain or loss arising from derecognition of such investments are recognised in the profit or loss.

If the Group and the Bank were to sell or to reclassify more than an insignificant amount of financial investments HTM before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as financial investments available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial investments as HTM over the following two years.

(4) Financial investments available-for-sales ("AFS")

Financial investments AFS are financial assets that are not classified in any of the three (3) preceding categories.

Financial investments AFS include equity and debt securities. Debt securities in this category are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in market condition.

After initial recognition, financial investments AFS are subsequently measured at fair value. Unrealised gains or losses are recognised directly in other comprehensive income, except for impairment losses, foreign exchange gains or losses on monetary financial assets and interest income calculated using the effective interest method are recognised in the profit or loss. Dividends on financial investments AFS are recognised in the profit or loss when the Group's and the Bank's right to receive payment is established.

When the Group and the Bank derecognise financial investments AFS, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the profit or loss.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iii) Derecognition

A financial asset is derecognised when:

- (1) The rights to receive cash flows from the asset have expired; or
- (2) The Group and the Bank have transferred its rights to receive cash flows from the financial asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:
 - the Group and the Bank have transferred substantially all the risks and rewards of the asset; or
 - the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

When the Group and the Bank have transferred its rights to receive cash flows from a financial asset or have entered into a pass through arrangement and have neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Group's and the Bank's continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated financial liability. The transferred financial asset and associated financial liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

(iv) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset, including security or a group of securities (other than financial assets at FVTPL) is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other reorganisation, default or delinquency in interest or principal payments or where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iv) Impairment of financial assets (cont'd.)

(1) Loans and receivables

(a) Loans and advances

Classification of loans and advances as impaired

Loans and advances are classified as impaired when:

- principal or interest or both are past due for more than three (3) months; or
- loans and advances in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- an impaired loans and advances has been rescheduled or restructured, the loans and advances will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

Impairment process - individual assessment

The Group and the Bank assess if objective evidences of impairment exist for loans and advances which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the carrying amount of the loans and advances and the present value of the estimated future cash flows discounted at the original effective interest rate of the loans and advances. The carrying amount of the loans and advances is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the profit or loss.

Impairment process - collective assessment

Loans and advances which are not individually significant and that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans and advances are grouped within similar credit risk characteristics for collective assessment, whereby data from the loans and advances portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iv) Impairment of financial assets (cont'd.)

(1) Loans and receivables (cont'd.)

(a) Loans and advances (cont'd.)

Impairment process - collective assessment (cont'd.)

Future cash flows in a group of loans and advances that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and of the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for group of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

Impairment process - written off accounts

Where a loan and advance is uncollectible, it is written off against the related allowance for impairment account. Such loans and advances are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the profit or loss.

(b) Amount due from brokers and clients

Amount due from brokers and clients are carried at anticipated realisable values. Impaired accounts are written off when identified, after taking into consideration the realisable value of collaterals, if any, when in the judgment of the management, there is no prospect of recoveries.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iv) Impairment of financial assets (cont'd.)

(1) Loans and receivables (cont'd.)

(b) Amount due from brokers and clients (cont'd.)

Individual assessment impairment allowances are made for accounts which are considered doubtful or which have been classified as impaired, net of interest-in-suspense and after taking into consideration any collaterals held by the Group and the Bank. The carrying amount of the accounts is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

When an account is classified as impaired, interest is suspended and forms part of the individual assessment impairment allowances.

Collective assessment impairment allowance is made, if necessary, based on historical loss experience based on certain percentage of amount due from brokers and clients (excluding outstanding purchase contract which are not due for payments), net of individual assessment impairment allowances.

Clients' accounts are classified as impaired as follows:

<u>Types of accounts</u>	<u>Criteria for classification as impaired</u>
Margin financing	When the account's equity value falls below 130% of its outstanding balance.
Contra losses	When the account remains outstanding for 5 calendar days or more from the date of contra transaction.
Overdue purchase contracts	When the account remains outstanding from T+5 market days onwards.

(c) Other receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Bank consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significantly delay in payments.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iv) Impairment of financial assets (cont'd.)

(1) Loans and receivables (cont'd.)

(c) Other receivables (cont'd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the financial asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(2) Financial investments HTM

For financial investments HTM, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment is impaired. If there are objective evidence of impairment on financial investments HTM, impairment loss is measured as the difference between the carrying amount of the financial investments HTM and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial investments HTM. The carrying amount of the financial investments HTM is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the profit or loss.

Subsequent reversals in the impairment loss are recognised when the decrease can be objectively related to an event occurring after the impairment loss was recognised, to the extent that the carrying amount of the financial investments HTM does not exceed its amortised cost had the impairment not been recognised at the reversal date. The reversal is recognised in the profit or loss.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iv) Impairment of financial assets (cont'd.)

(3) Financial investments AFS

For financial investments AFS, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as financial investments AFS, the Group and the Bank assess individually whether there is objective evidence of impairment based on the same criteria as financial investments HTM. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any accumulated impairment loss on that investment previously recognised in the profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of asset by using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income is recorded as part of interest and similar income. If in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity instruments classified as financial investments AFS, the objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Group and the Bank treat 'significant' generally as 25% and 'prolonged' generally as four consecutive quarters. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any accumulated impairment loss on that investment previously recognised in the profit or loss - is removed from equity and recognised in the profit or loss.

Impairment losses on equity investments are not reversed through the profit or loss; increases in the fair value after impairment are recognised in other comprehensive income.

For unquoted equity securities carried at cost, impairment loss is measured as the difference between the equity securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the profit or loss and such impairment losses are not reversed subsequent to its recognition.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(v) Reclassification of financial assets

The Group and the Bank may choose to reclassify non-derivative assets out of the financial assets at FVTPL category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the financial assets at FVTPL or financial investments AFS if the Group and the Bank have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable.

For a financial asset reclassified out of the financial investments AFS, any previous gain or loss on that asset that has been recognised in equity is amortised to the profit or loss over the remaining life of the asset using the effective interest method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the profit or loss.

The Group and the Bank do not reclassify any financial instrument into the FVTPL category after initial recognition.

(f) Financial liabilities

(i) Initial recognition and measurement

All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

(ii) Subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(f) Financial liabilities (cont'd.)

(ii) Subsequent measurement (cont'd.)

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities HFT and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities HFT include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria. The Group and the Bank have not designated any financial liabilities at FVTPL.

(2) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits and placements from a licensed bank, payables, amount due to brokers and clients, and other liabilities.

(a) Deposits and placements from a licensed bank

Deposits and placements of a licensed bank is recognised initially at placement values and subsequently measured at amortised cost using the effective interest method.

(b) Payables and amount due to brokers and clients

Payables and amount due to brokers and clients are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(c) Other liabilities

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the profit or loss.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(g) Determination of fair value

The Group and the Bank measure financial instruments, such as, financial assets at FVTPL, financial investments AFS and derivative financial instruments, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of financial instruments traded in active market at the reporting date is based on their quoted market prices or dealer price quotations.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost and assessed for impairment at each reporting date.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(h) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Buildings on freehold and leasehold land	2%
Office equipment, furniture and fittings	10% - 25%
Data processing equipment	25%
Office renovation	20%
Motor vehicles	25%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

(i) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with other financial institutions, with the remaining maturity of less than one month.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(j) Other assets

Other assets are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding balances as at the reporting date.

(k) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU")'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that the previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

(l) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the profit or loss, except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under exchange fluctuation reserve in equity.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the year, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Foreign currencies (cont'd.)

(iii) Foreign operations (cont'd.)

- Income and expenses for each statement of comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken directly to other comprehensive income through the exchange fluctuation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated under exchange fluctuation reserve in equity, is reclassified from equity to the profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

(n) Operating lease - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(o) Income tax and zakat

(i) Income tax

Income tax in the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Income tax and zakat (cont'd.)

(i) Income tax (cont'd.)

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as income or expense and included in the profit or loss for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(ii) Zakat

This represents business zakat payable by the Bank in compliance with Shariah principles and as approved by the Bank's Shariah Committee.

(p) Recognition of interest, profit and expense

(i) Interest income and expense is recognised using the effective interest method.

(ii) Interest income on impaired financial assets continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iii) Profit from IBS operations is recognised on an accrual basis in accordance with the principles of Shariah.

(q) Recognition of fee and other income

(i) Brokerage income is recognised upon execution of trade contracts.

(ii) Arranger fees, upfront fees, placement fees, underwriting commission and other fee income are recognised based on the contractual arrangements.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(q) Recognition of fee and other income (cont'd.)

- (iii) Corporate advisory fees earned from the capital market activities are accrued over the period of services rendered.
- (iv) Trading income include results arising from trading activities and gains and losses from changes in fair value for financial assets at FVTPL and financial liabilities at FVTPL.
- (v) Dividend income is recognised when the Group's and the Bank's right to receive the payment is established.

(r) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, the Bank and its Malaysian subsidiaries make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss when incurred.

(iii) Share-based compensation

(1) Employee share option scheme ("ESOS")

The ESOS is an equity-settled share-based compensation plan that allows the directors and employees to acquire shares of the parent. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to parent over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Employee benefits (cont'd.)

(iii) Share-based compensation (cont'd.)

(1) Employee share option scheme ("ESOS") (cont'd.)

At each reporting date, the parent revises its estimates of the number of share options that are expected to become exercisable on vesting date. The impact of the revision of original estimates, if any, is recognised in the profit or loss and a corresponding adjustment to the amount due to parent over the remaining vesting period.

(2) Restricted share units ("RSU")

Senior management personnel are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new parent shares or by cash at the absolute discretion of the ESS Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the amount due to parent over the vesting period and taking into account the probability that the RSU will vest. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

At each reporting date, the parent revises its estimates of the number of RSU that are expected to be awarded on vesting date. The impact of the revision of original estimates, if any, is recognised in the profit or loss and a corresponding adjustment to the amount due to parent over the remaining vesting period.

(s) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contracted obligation to transfer cash on other financial assets. Transaction cost directly attributable to the issuance of new equity shares are taken for equity as a deduction for the proceeds.

Dividends declared on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

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2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Contingent liabilities and contingent assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(u) Earnings per share ("EPS")

The Group presents basic and diluted (where applicable) EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments. The Group has determined the Group Executive Committee as its chief operating decision-maker.

All transactions between business segments, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

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3. Changes in accounting policies and regulatory requirements

(a) New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2014, the Group and the Bank adopted the following new and amended MFRS and Issues Committee ("IC") interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

Adoption of the above new and amended MFRSs and IC interpretations did not have any material impact to the financial statements of the Group and of the Bank, except for Amendments to MFRS 132 which is disclosed in Note 39.

(b) Standards and annual improvements to standards issued but not yet effective

The following are standards and annual improvements to standards issued by Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and the Bank's financial statements. The Group and the Bank intend to adopt these standards and interpretations, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations	1 January 2016

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3. Changes in accounting policies and regulatory requirements (cont'd.)

(b) Standards and annual improvements to standards issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2017
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

Adoption of the above standards and annual improvements to standards is not expected to have any material impact on the financial statements of the Group and of the Bank in the period of initial application, except for those discussed below.

MFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;

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3. Changes in accounting policies and regulatory requirements (cont'd.)

(b) Standards and annual improvements to standards issued but not yet effective (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

Classification and measurement (cont'd.)

- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced;
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Bank's financial assets, and may have no impact on the classification and measurement of the Group's and the Bank's financial liabilities.

Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Group and the Bank will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Bank. MFRS 9 will change the Group's and the Bank's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(c) Guidance issued by Bank Negara Malaysia on maintenance of regulatory reserve

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, net of individual impairment allowance, pursuant to paragraph 13 of the BNM's Policy Document on Classification and Impairment Provisions for Loans. 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.

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4. Significant accounting judgments, estimates and assumptions

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

- (a) Fair value estimation of financial assets at FVTPL (Note 7(i)), financial investments AFS (Note 7(ii)) and derivative financial instruments (Note 9)

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

- (b) Impairment of financial investments portfolio (Note 7)

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

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

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.
- (ii) Determination of 'significant' or 'prolonged' requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.
- (c) Impairment of investment in subsidiaries (Note 12) and investment in a joint venture (Note 13)

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

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

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

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4. Significant accounting judgments, estimates and assumptions (cont'd.)

(c) Impairment of investment in subsidiaries (Note 12) and investment in a joint venture (Note 13) (cont'd.)

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

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

Sensitivity to changes in assumptions

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

(d) Deferred tax (Note 16) and income taxes (Note 25)

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

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

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5. Cash and short-term funds

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances				
with financial institutions	183,956	287,575	164,148	259,496
Deposit placements				
maturing within one				
month	370,984	56,768	361,984	50,968
	<u>554,940</u>	<u>344,343</u>	<u>526,132</u>	<u>310,464</u>

The monies held-in-trust for clients by the Group and the Bank as at the reporting date are approximately RM162,697,000 (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.

6. Deposits and placements with financial institutions

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Licensed bank	<u>34,203</u>	<u>28,470</u>	<u>24,162</u>	<u>27,173</u>

7. Financial investments portfolio

	Group and Bank	
	2014	2013
	RM'000	RM'000
Financial assets at fair value through profit or loss (Note (i))	207,047	86,573
Financial investments available-for-sale (Note (ii))	123,928	37,630
Financial investments held-to-maturity (Note (iii))	33	33
Total financial investments portfolio	<u>331,008</u>	<u>124,236</u>

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7. Financial investments portfolio (cont'd.)

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
<u>At fair value</u>		
Quoted financial investments:		
Shares in Malaysia	184,807	28,488
Shares outside Malaysia	2,000	3,236
	<u>186,807</u>	<u>31,724</u>
Unquoted financial investments:		
Private debt securities in Malaysia	20,240	54,849
Total financial assets at fair value through profit or loss	<u>207,047</u>	<u>86,573</u>

(ii) Financial investments available-for-sale

	Group and Bank	
	2014	2013
	RM'000	RM'000
<u>At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss</u>		
Unquoted financial investments:		
Shares and loan stocks in Malaysia	123,928	37,627
Shares outside Malaysia	-	3
Total financial investments available-for-sale	<u>123,928</u>	<u>37,630</u>

(iii) Financial investments held-to-maturity

	Group and Bank	
	2014	2013
	RM'000	RM'000
<u>At amortised cost</u>		
Unquoted financial investments:		
Private debt securities in Malaysia	33	33
Total financial investments held-to-maturity	<u>33</u>	<u>33</u>

Indicative fair value of financial investments held-to-maturity is as follows:

	Group and Bank	
	2014	2013
	RM'000	RM'000
Private debt securities in Malaysia	<u>33</u>	<u>33</u>

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7. Financial investments portfolio (cont'd.)

(iii) Financial investments held-to-maturity (cont'd.)

The maturity structure of financial investments held-to-maturity is as follows:

	Group and Bank	
	2014	2013
	RM'000	RM'000
After five years	<u>33</u>	<u>33</u>

8. Loans and advances

	Group and Bank	
	2014	2013
	RM'000	RM'000
Term loans		
- Syndicated term loan	6,447	6,447
- Other term loan	1,465	1,391
Amount due from brokers and clients		
- Margin accounts (Note a)	215,928	364,302
Foreign currency loans	3,353	3,152
Staff loans	17,143	15,847
Gross loans and advances	<u>244,336</u>	<u>391,139</u>
Less: Allowance for impairment losses		
- Individual assessment allowance	<u>(6,267)</u>	<u>(6,267)</u>
Net loans and advances	<u>238,069</u>	<u>384,872</u>

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

The trade credit terms for margin accounts are set in accordance with the terms of the respective margin agreements.

As at the reporting date, there are no impaired accounts in the amount due from brokers and clients.

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8. Loans and advances (cont'd.)

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Domestic business enterprises	28,525	154,212
Individuals	211,125	233,775
Foreign entities	4,686	3,152
Gross loans and advances	<u>244,336</u>	<u>391,139</u>

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Fixed rate		
- Housing loans	9,536	9,440
- Hire purchase receivables	7,319	6,091
- Other fixed rate loans	288	316
Variable rate		
- BLR-plus	11,265	10,990
- Cost-plus	215,928	364,302
Gross loans and advances	<u>244,336</u>	<u>391,139</u>

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Purchase of securities	215,928	364,302
Purchase of transport vehicles	7,479	6,251
Purchase of residential landed property	10,841	10,671
Personal use	288	314
Consumer durables	-	2
Working capital	9,800	9,599
Gross loans and advances	<u>244,336</u>	<u>391,139</u>

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8. Loans and advances (cont'd.)

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Maturing within one year	226,199	374,190
One year to three years	1,828	1,744
Three years to five years	5,212	4,060
After five years	11,097	11,145
Gross loans and advances	<u>244,336</u>	<u>391,139</u>

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
At 1 January	7,015	7,009
Impaired during the year	-	29
Recovered/regularised during the year	(14)	(23)
Gross impaired loans and advances	<u>7,001</u>	<u>7,015</u>
Less: Individual assessment allowance	<u>(6,267)</u>	<u>(6,267)</u>
At 31 December	<u>734</u>	<u>748</u>
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	<u>0.31%</u>	<u>0.19%</u>

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	398	412
Working capital	6,447	6,447
Gross impaired loans and advances	<u>7,001</u>	<u>7,015</u>

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8. Loans and advances (cont'd.)

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
At 1 January	6,267	6,267
Allowance made during the year (Note 24)	-	11
Amount written back during the year (Note 24)	-	(11)
At 31 December	<u>6,267</u>	<u>6,267</u>

9. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	2014		2013	
	Notional amount	Fair value	Notional amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Hedging derivatives				
Equity related derivatives:				
Equity swaps				
- Less than one year	97,572	14,754	-	-
Total derivative assets	<u>97,572</u>	<u>14,754</u>	<u>-</u>	<u>-</u>

(ii) Derivative liabilities

	Group and Bank			
	2014		2013	
	Notional amount	Fair value	Notional amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Hedging derivatives				
Equity related derivatives:				
Equity options				
- Less than one year	168,214	20,926	75,780	9,020
- One year to three years	180,715	66	194,360	532
	<u>348,929</u>	<u>20,992</u>	<u>270,140</u>	<u>9,552</u>
Equity swaps				
- Less than one year	42,032	2,053	-	-
Total derivative liabilities	<u>390,961</u>	<u>23,045</u>	<u>270,140</u>	<u>9,552</u>

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9. Derivative financial instruments (cont'd.)

(iii) The Group and the Bank have recognised the fair value changes on the derivative assets and derivative liabilities as follows (Note 22):

	Group and Bank	
	2014	2013
	RM'000	RM'000
Equity related derivatives:		
Index futures	-	(33)
Equity options	9,186	(11,105)
Equity swaps	12,701	-
Commodity related derivatives:		
Commodity options	-	(460)
Total gain/(loss), net	<u>21,887</u>	<u>(11,598)</u>

10. Other assets

	2014	Group	2012
	RM'000	2013	RM'000
		Restated	Restated
Amount due from brokers and clients			
- Non-margin accounts (Note a)	593,345	363,699	312,365
Amount due from ultimate holding company	7,103	4,830	8,074
Other debtors, deposits and prepayments	74,589	36,026	25,715
	<u>675,037</u>	<u>404,555</u>	<u>346,154</u>
Less: Allowance for impairment losses	(13,440)	(9,708)	(8,914)
	<u>661,597</u>	<u>394,847</u>	<u>337,240</u>
		Bank	
	2014	2013	2012
	RM'000	RM'000	RM'000
		Restated	Restated
Amount due from brokers and clients			
- Non-margin accounts (Note a)	593,345	363,699	312,365
Amount due from ultimate holding company	7,103	4,830	8,074
Other debtors, deposits and prepayments	68,894	31,717	23,441
	<u>669,342</u>	<u>400,246</u>	<u>343,880</u>
Less: Allowance for impairment losses	(11,471)	(7,739)	(6,428)
	<u>657,871</u>	<u>392,507</u>	<u>337,452</u>

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10. Other assets (cont'd.)

- (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.

The trade settlement is 3 market days in accordance to the Bursa Malaysia Securities Berhad Fixed Delivery and Settlement System ("FDSS") trading rules.

Included in the amount due from brokers and clients are gross balances of impaired accounts as follows:

	Group and Bank	
	2014	2013
	RM'000	RM'000
Classified as impaired	<u>6,623</u>	<u>2,345</u>

- (b) Movements in the allowance for impairment losses are as follows:

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	9,708	8,914	7,739	6,428
Allowance made during the year, net (Note 24)	<u>3,732</u>	<u>794</u>	<u>3,732</u>	<u>1,311</u>
At 31 December	<u>13,440</u>	<u>9,708</u>	<u>11,471</u>	<u>7,739</u>

Included in the allowance for impairment losses above is the provision relating to interest portion of the impaired accounts, which movements are as follows:

	Group and Bank	
	2014	2013
	RM'000	RM'000
At 1 January	278	491
Net interest suspended/(reversed) during the year	<u>150</u>	<u>(213)</u>
At 31 December	<u>428</u>	<u>278</u>

The provision made is in compliance with Rule 12.04 of Bursa Malaysia Securities Berhad in relation to interest-in-suspense.

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11. Statutory deposits with Bank Negara Malaysia

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

12. Investment in subsidiaries

	Bank	
	2014	2013
	RM'000	RM'000
Unquoted shares in Malaysia, at cost	233,259	233,269
Less: Accumulated impairment losses	(30,000)	(30,000)
	203,259	203,269

Name of subsidiaries	Country of incorporation/ Principal place of business	% of ownership interest held (%)		Principal activities
		2014	2013	
Held by the Bank:				
BinaFikir Sdn. Bhd.	Malaysia	100	100	Advisory services
Aseam Malaysia Nominees (Tempatan) Sdn. Bhd.	Malaysia	-	100	Liquidated in November 2014
Maybank Securities Nominees (Tempatan) Sdn. Bhd.	Malaysia	100	100	Nominee services
Maybank Securities Nominees (Asing) Sdn. Bhd.	Malaysia	100	100	Nominee services
Maysec Sdn. Bhd.	Malaysia	100	100	Investment holding

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12. Investment in subsidiaries (cont'd.)

Name of subsidiaries	Country of incorporation/ Principal place of business	% of ownership interest held (%)		Principal activities
		2014	2013	
Held through Maysec Sdn. Bhd.:				
Maysec (KL) Sdn. Bhd.	Malaysia	100	100	In voluntary liquidation
Mayban Securities (HK) Ltd.*	Hong Kong	100	100	In voluntary liquidation
Phileo Allied Securities (Philippines) Inc.*	Philippines	100	100	Dormant
Mayban Futures Sdn. Bhd.	Malaysia	100	100	In voluntary liquidation
Budaya Tegas Sdn. Bhd.	Malaysia	-	100	Liquidated in November 2014

* Audited by other member firms of Ernst & Young Global

13. Investment in a joint venture

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares, at cost	17,817	17,817	17,817	17,817
Share of post-acquisition reserves, net of dividends	892	671	-	-
	<u>18,709</u>	<u>18,488</u>	<u>17,817</u>	<u>17,817</u>
Less: Accumulated impairment losses	<u>(7,939)</u>	<u>(7,939)</u>	<u>(7,939)</u>	<u>(7,939)</u>
	<u>10,770</u>	<u>10,549</u>	<u>9,878</u>	<u>9,878</u>

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13. Investment in a joint venture (cont'd.)

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Represented by the Group's and the Bank's share of:				
Net tangible assets	10,530	10,309	-	-

(a) Details of the joint venture is as follows:

Name of joint venture	Country of incorporation/ Principal place of business	% of ownership interest held (%)		Principal activities
		2014	2013	
Anfaal Capital	Kingdom of Saudi Arabia	35.17	35.17	Investment banking

The joint venture has the same reporting period as the Group and is accounted for using the equity method.

(b) The summarised financial information of the joint venture is as follows:

	2014	2013
	RM'000	RM'000
Statement of financial position		
Current assets	42,696	40,546
Non-current assets	1,083	1,143
Total assets	43,779	41,689
Current liabilities	2,288	1,853
Non-current liabilities	11,550	10,524
Total liabilities	13,838	12,377
Net assets	29,941	29,312
Statement of comprehensive income		
Revenue	11,258	4,925
Profit after taxation	629	1,908

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13. Investment in a joint venture (cont'd.)

- (c) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in a joint venture is as follows:

	2014 RM'000	2013 RM'000
Net assets at 1 January/1 October	29,312	27,404
Profit for the year/period	629	1,908
Net assets at 31 December	29,941	29,312
Interest in a joint venture	35.17%	35.17%
Group's interest in a joint venture	10,530	10,309

As at the reporting date, the joint venture has no contingent liabilities or capital commitments. The joint venture cannot distribute its profits until it obtains the consent from another major venture partner.

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14. Property, plant and equipment

Group	Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000	Office Equipment, Furniture and Fittings RM'000	Data Processing Equipment RM'000	Office Renovation RM'000	Motor Vehicles RM'000	Total RM'000
31 December 2014							
Cost							
At 1 January 2014	658	1,161	19,598	7,223	18,023	1,752	48,415
Reclassifications	-	-	-	95	-	-	95
Additions	-	-	2,126	1,879	731	-	4,736
Disposals	-	(614)	(490)	(41)	-	(303)	(1,448)
At 31 December 2014	658	547	21,234	9,156	18,754	1,449	51,798
Accumulated depreciation							
At 1 January 2014	224	464	14,675	5,538	5,775	1,080	27,756
Charge for the year (Note 23)	13	29	1,545	976	2,104	206	4,873
Disposals	-	(259)	-	(11)	-	(303)	(573)
At 31 December 2014	237	234	16,220	6,503	7,879	983	32,056
Net carrying amount							
At 31 December 2014	421	313	5,014	2,653	10,875	466	19,742

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14. Property, plant and equipment (cont'd.)

Group	Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000	Office Equipment, Furniture and Fittings RM'000	Data Processing Equipment RM'000	Office Renovation RM'000	Motor Vehicles RM'000	Total RM'000
31 December 2013							
Cost							
At 1 January 2013	658	1,164	17,994	6,307	13,105	1,302	40,530
Additions	-	-	1,604	916	4,918	583	8,021
Disposals	-	(3)	-	-	-	(133)	(136)
At 31 December 2013	658	1,161	19,598	7,223	18,023	1,752	48,415
Accumulated depreciation							
At 1 January 2013	211	426	13,276	4,296	5,146	1,116	24,471
Charge for the year (Note 23)	13	38	1,399	1,242	629	97	3,418
Disposals	-	-	-	-	-	(133)	(133)
At 31 December 2013	224	464	14,675	5,538	5,775	1,080	27,756
Net carrying amount							
At 31 December 2013	434	697	4,923	1,685	12,248	672	20,659

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14. Property, plant and equipment (cont'd.)

Bank	Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000	Office Equipment, Furniture and Fittings RM'000	Data Processing Equipment RM'000	Office Renovation RM'000	Motor Vehicles RM'000	Total RM'000
31 December 2014							
Cost							
At 1 January 2014	657	1,164	19,596	7,222	18,021	1,751	48,411
Reclassifications	-	-	-	95	-	-	95
Additions	-	-	2,121	1,874	731	-	4,726
Disposals	-	(612)	(490)	(41)	-	(303)	(1,446)
At 31 December 2014	657	552	21,227	9,150	18,752	1,448	51,786
Accumulated depreciation							
At 1 January 2014	224	548	14,674	5,539	5,812	1,082	27,879
Charge for the year (Note 23)	13	23	1,542	972	2,102	206	4,858
Disposals	-	(259)	-	(11)	-	(303)	(573)
At 31 December 2014	237	312	16,216	6,500	7,914	985	32,164
Net carrying amount							
At 31 December 2014	420	240	5,011	2,650	10,838	463	19,622

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14. Property, plant and equipment (cont'd.)

Bank	Buildings on Freehold Land RM'000	Buildings on Leasehold Land RM'000	Office Equipment, Furniture and Fittings RM'000	Data Processing Equipment RM'000	Office Renovation RM'000	Motor Vehicles RM'000	Total RM'000
31 December 2013							
Cost							
At 1 January 2013	657	1,164	17,992	6,306	13,103	1,301	40,523
Additions	-	-	1,604	916	4,918	583	8,021
Disposals	-	-	-	-	-	(133)	(133)
At 31 December 2013	657	1,164	19,596	7,222	18,021	1,751	48,411
Accumulated depreciation							
At 1 January 2013	211	525	13,275	4,297	5,185	1,118	24,611
Charge for the year (Note 23)	13	23	1,399	1,242	627	97	3,401
Disposals	-	-	-	-	-	(133)	(133)
At 31 December 2013	224	548	14,674	5,539	5,812	1,082	27,879
Net carrying amount							
At 31 December 2013	433	616	4,922	1,683	12,209	669	20,532

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15. Intangible assets

	Group and Bank		
	License	Computer Software RM'000	Total RM'000
Cost			
At 1 January 2014	-	19,922	19,922
Reclassifications	1,963	(95)	1,868
Additions	-	7,037	7,037
At 31 December 2014	<u>1,963</u>	<u>26,864</u>	<u>28,827</u>
Accumulated amortisation			
At 1 January 2014	-	10,333	10,333
Charge for the year (Note 23)	-	2,709	2,709
At 31 December 2014	<u>-</u>	<u>13,042</u>	<u>13,042</u>
Net carrying amount			
At 31 December 2014	<u>1,963</u>	<u>13,822</u>	<u>15,785</u>
Cost			
At 1 January 2013	-	17,280	17,280
Additions	-	2,642	2,642
At 31 December 2013	<u>-</u>	<u>19,922</u>	<u>19,922</u>
Accumulated amortisation			
At 1 January 2013	-	7,905	7,905
Charge for the year (Note 23)	-	2,428	2,428
At 31 December 2013	<u>-</u>	<u>10,333</u>	<u>10,333</u>
Net carrying amount			
At 31 December 2013	<u>-</u>	<u>9,589</u>	<u>9,589</u>

16. Deferred taxation

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	22,938	16,593	22,938	17,681
Recognised in profit or loss (Note 25)	<u>(4,599)</u>	<u>6,345</u>	<u>(4,599)</u>	<u>5,257</u>
At 31 December	<u>18,339</u>	<u>22,938</u>	<u>18,339</u>	<u>22,938</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	<u>18,339</u>	<u>22,938</u>	<u>18,339</u>	<u>22,938</u>
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16. Deferred taxation (cont'd.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

The components and movements of deferred tax assets and deferred tax liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and of the Bank:

	Provision for liabilities RM'000	Total RM'000
At 1 January 2014	24,629	24,629
Recognised in profit or loss	<u>(2,711)</u>	<u>(2,711)</u>
At 31 December 2014	<u>21,918</u>	<u>21,918</u>
At 1 January 2013	19,520	19,520
Recognised in profit or loss	<u>5,109</u>	<u>5,109</u>
At 31 December 2013	<u>24,629</u>	<u>24,629</u>

Deferred tax liabilities of the Group:

	Accelerated capital allowance RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2014	(1,691)	-	(1,691)
Recognised in profit or loss	<u>(1,888)</u>	<u>-</u>	<u>(1,888)</u>
At 31 December 2014	<u>(3,579)</u>	<u>-</u>	<u>(3,579)</u>
At 1 January 2013	(1,839)	(1,088)	(2,927)
Recognised in profit or loss	<u>148</u>	<u>1,088</u>	<u>1,236</u>
At 31 December 2013	<u>(1,691)</u>	<u>-</u>	<u>(1,691)</u>

Deferred tax liabilities of the Bank:

	Accelerated capital allowance RM'000	Total RM'000
At 1 January 2014	(1,691)	(1,691)
Recognised in profit or loss	<u>(1,888)</u>	<u>(1,888)</u>
At 31 December 2014	<u>(3,579)</u>	<u>(3,579)</u>
At 1 January 2013	(1,839)	(1,839)
Recognised in profit or loss	<u>148</u>	<u>148</u>
At 31 December 2013	<u>(1,691)</u>	<u>(1,691)</u>

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17. Other liabilities

	2014	Group 2013	2012
	RM'000	RM'000 Restated	RM'000 Restated
Provisions and accruals	98,371	112,203	89,386
Provision for commitments and contingencies (Note a)	-	500	6,619
Amount due to brokers and clients (Note b)	566,849	374,761	286,102
Deposits and other creditors	279,602	91,286	98,732
	<u>944,822</u>	<u>578,750</u>	<u>480,839</u>

	2014	Bank 2013	2012
	RM'000	RM'000 Restated	RM'000 Restated
Provisions and accruals	98,066	111,666	85,487
Provision for commitments and contingencies (Note a)	-	500	6,619
Amount due to brokers and clients (Note b)	566,849	374,761	286,102
Deposits and other creditors	451,047	264,896	272,329
	<u>1,115,962</u>	<u>751,823</u>	<u>650,537</u>

(a) Movement in provision for commitments and contingencies are as follows:

	Group and Bank 2014	2013
	RM'000	RM'000
At 1 January	500	6,619
Allowance made during the year	-	127
Amount written back during the year	(500)	-
Commitments and contingencies paid	-	(6,246)
At 31 December	<u>-</u>	<u>500</u>

(b) 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.

The trade settlement is 3 market days according to the Bursa Malaysia Securities Berhad Fixed Delivery and Settlement System ("FDSS") trading rules.

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18. Share capital

	Group and Bank			
	Number of Shares of RM1 each		Amount	
	2014 '000	2013 '000	2014 RM'000	2013 RM'000
Authorised	600,000	600,000	600,000	600,000
Issued and fully paid	50,116	50,116	50,116	50,116

19. Reserves

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable:				
Share premium	172,669	172,669	172,669	172,669
Statutory reserve (Note a)	50,116	50,116	50,116	50,116
Revaluation reserve	(24,677)	(24,677)	-	-
Exchange fluctuation reserve	997	(82)	-	-
	199,105	198,026	222,785	222,785
Distributable:				
Retained earnings (Note b)	289,072	404,195	251,943	370,042
	488,177	602,221	474,728	592,827

(a) Statutory reserve

The statutory reserve is maintained in compliance with the requirements of Bank Negara Malaysia in which the Bank operates and is not distributable as cash dividends.

(b) Retained earnings

The Bank may distribute dividends out of its entire retained earnings as at 31 December 2014 under the single-tier system.

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20. Interest income

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	25,333	24,129	25,333	24,129
- Interest income on impaired loans	89	99	89	99
Money at call and deposits and placements with financial institutions	8,733	13,316	8,258	12,427
Financial assets at fair value through profit or loss	533	3,848	533	3,848
Others	273	(119)	273	(119)
Total interest income	34,961	41,273	34,486	40,384

21. Interest expense

	Group and Bank	
	2014	2013
	RM'000	RM'000
Deposits and placements from a licensed bank	8,996	12,193

22. Non-interest income

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Arranger and upfront fees	159,178	95,345	159,178	95,345
Brokerage income	175,175	167,977	175,175	167,977
Corporate advisory fees	20,083	33,348	11,306	29,294
Placement and related fees	16,565	80,833	16,565	80,833
Underwriting commission	3,493	5,801	3,493	5,801
Others	15,436	31,605	15,436	31,474
	389,930	414,909	381,153	410,724

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22. Non-interest income (cont'd.)

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Investment income:				
Realised loss from sale of financial assets at fair value through profit or loss, net	(41,367)	(324)	(41,367)	(324)
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	(18,159)	(85)	(18,159)	(85)
Realised gain from sale of derivative financial instruments, net	54,529	20,934	54,529	20,934
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 9(iii))	21,887	(11,598)	21,887	(11,598)
Realised gain from sale of financial investments available-for-sale, net*	74,562	41,626	73,626	24
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	460	391	460	391
- Quoted outside Malaysia	-	1,395	-	-
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	2,552	570	2,552	570
- Quoted outside Malaysia	125	326	125	326
Subsidiary	-	-	-	71,280
Gain from disposal of investment in associate	-	-	-	518
	<u>94,589</u>	<u>53,235</u>	<u>93,653</u>	<u>82,036</u>
Other income:				
Foreign exchange gain, net	831	1,337	1,542	2,524
Gain from disposal of property, plant and equipment	235	46	235	46
Others	976	1,052	3,169	1,052
	<u>2,042</u>	<u>2,435</u>	<u>4,946</u>	<u>3,622</u>
Total non-interest income	<u>486,561</u>	<u>470,579</u>	<u>479,752</u>	<u>496,382</u>

* Included in the amount is a realised gain of RM73,483,000 for the Group and the Bank arising from the revaluation of an investment for distribution as dividend in-specie (Note 33).

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23. Overhead expenses

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
- Salaries, allowances and bonuses	192,380	200,726	192,380	200,726
- Pension costs - defined contribution plan	16,230	14,447	16,230	14,447
- Employees' Share Scheme expenses	11,251	11,995	11,251	11,995
- Other staff related expenses	12,051	10,678	12,049	10,589
	<u>231,912</u>	<u>237,846</u>	<u>231,910</u>	<u>237,757</u>
Establishment costs				
- Depreciation of property, plant and equipment (Note 14)	4,873	3,418	4,858	3,401
- Amortisation of computer software (Note 15)	2,709	2,428	2,709	2,428
- Rental	11,026	10,482	11,026	10,482
- Repairs and maintenance of property, plant and equipment	8,339	8,056	8,336	8,056
- Information technology expenses	6,945	6,036	6,945	6,036
- Others (Note (i))	(19,005)	(11,507)	(21,879)	(17,333)
	<u>14,887</u>	<u>18,913</u>	<u>11,995</u>	<u>13,070</u>
Marketing costs				
- Advertisement and publicity	10,174	7,829	10,174	7,829
- Others	9,411	11,091	9,420	11,086
	<u>19,585</u>	<u>18,920</u>	<u>19,594</u>	<u>18,915</u>
Administration and general expenses				
- Fee and brokerage	21,418	19,334	21,300	19,251
- Administrative expenses	4,682	4,444	4,658	4,315
- General expenses	4,311	1,797	4,307	1,748
	<u>30,411</u>	<u>25,575</u>	<u>30,265</u>	<u>25,314</u>
Total overhead expenses	<u>296,795</u>	<u>301,254</u>	<u>293,764</u>	<u>295,056</u>

Note (i): Included in other establishment costs of the Group and of the Bank are service chargeback amounting to approximately RM28,000,000 and RM31,000,000 respectively (2013: RM18,700,000 and RM24,500,000 respectively).

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23. Overhead expenses (cont'd.)

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Included in overhead expenses are the following:				
Directors' remuneration (Note 26)	922	828	922	828
Rental of premises	9,042	8,460	9,042	8,460
Hire of equipment	8,336	8,056	8,336	8,056
Auditors' remuneration:				
Statutory audit:				
- Ernst & Young Malaysia	397	364	368	339
- Other member firms of Ernst & Young Global	7	7	-	-
Non-audit services:				
- Reporting accountants, review engagements and regulatory-related services	123	96	123	96

24. Allowance for impairment on loans and advances and other debtors, net

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Individual assessment				
- Made during the year (Note 8(vii))	-	(11)	-	(11)
- Written back during the year (Note 8(vii))	-	11	-	11
Bad debts recovered	3,189	196	3,189	196
Allowance for impairment on other debtors, net (Note 10(b))	(3,732)	(794)	(3,732)	(1,311)
	<u>(543)</u>	<u>(598)</u>	<u>(543)</u>	<u>(1,115)</u>

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25. Taxation and zakat

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Tax expense:				
Malaysian income tax	44,234	67,388	42,736	66,350
Tax credit vested over	-	(13,863)	-	(13,863)
Overprovision in prior years	-	(3,502)	-	-
	<u>44,234</u>	<u>50,023</u>	<u>42,736</u>	<u>52,487</u>
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences, net	4,599	(6,345)	4,599	(5,257)
Tax expense for the year	<u>48,833</u>	<u>43,678</u>	<u>47,335</u>	<u>47,230</u>
Zakat	<u>382</u>	<u>780</u>	<u>382</u>	<u>780</u>
Tax expense and zakat for the year	<u>49,215</u>	<u>44,458</u>	<u>47,717</u>	<u>48,010</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	<u>260,233</u>	<u>250,260</u>	<u>255,759</u>	<u>250,184</u>
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	65,058	62,565	63,940	62,546
Income not subject to tax	(18,427)	(3,134)	(18,806)	(3,065)
Expenses not deductible for tax purposes	2,202	1,612	2,201	1,612
Tax credit vested over	-	(13,863)	-	(13,863)
Overprovision of tax expense in prior years	-	(3,502)	-	-
Tax expense for the year	<u>48,833</u>	<u>43,678</u>	<u>47,335</u>	<u>47,230</u>
Zakat	<u>382</u>	<u>780</u>	<u>382</u>	<u>780</u>
Tax expense and zakat for the year	<u>49,215</u>	<u>44,458</u>	<u>47,717</u>	<u>48,010</u>

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26. Directors' remuneration

	Group and Bank	
	2014	2013
	RM'000	RM'000
Directors of the Bank		
Non-Executive Directors:		
Fees	922	828
Total (excluding benefits-in-kind) (Note 23)	<u>922</u>	<u>828</u>

The total remuneration (excluding benefits-in-kind) of the Directors of the Bank are as follows:

	Group and Bank	
	2014	2013
	RM'000	RM'000
Non-Executive Directors:		
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	125	125
Cheah Teik Seng	177	191
Datuk Abdul Farid bin Alias	135	106
Datuk Mohaiyani binti Shamsudin	150	152
Lee Siang Korn @ Lee Siang Chin	146	5
Datuk Karownakaran @ Karunakaran a/l Ramasamy	189	195
Dato' Sri Abdul Wahid bin Omar	-	54
	<u>922</u>	<u>828</u>

27. Earnings per share

The basic and diluted earnings per share ("EPS") of the Group is calculated by dividing the profit for the year by the number of ordinary shares in issue during the financial year.

	Group	
	2014	2013
Profit for the year (RM'000)	<u>211,018</u>	<u>205,802</u>
Number of ordinary shares in issue ('000)	<u>50,116</u>	<u>50,116</u>
Basic and diluted EPS (sen)	<u>421</u>	<u>411</u>

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28. Significant related party transactions and balances

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel is the chief executive officer of the Group and of the Bank.

The Group has related party relationship with its substantial shareholder, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows:

(a) Transactions with holding company, subsidiaries and related companies:

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Holding company:				
Income:				
Interest on deposits and placements	4,631	13,277	4,427	12,390
Other income	30,598	18,736	30,598	18,736
Expenditure:				
Interest on deposits and placements	8,996	12,193	8,996	12,193
Rental of premises	3,340	3,326	3,340	3,326
Subsidiaries:				
Income:				
Dividend income	-	-	-	71,280
Other income	-	-	5,074	5,827
Related companies:				
Income:				
Interest on deposits and placements	680	1,481	418	594
Other income	4,766	570	4,766	570
Expenditure:				
Other expenses	15,826	8,332	15,826	8,332

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28. Significant related party transactions and balances (cont'd.)

(b) Balances with holding company, subsidiaries and related companies:

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Holding company:				
Amount due from:				
Current accounts and deposits	166,546	257,564	142,992	257,564
Interest receivable on deposits	269	243	269	243
Other debtors	<u>7,103</u>	<u>4,830</u>	<u>7,103</u>	<u>4,830</u>
Amount due to:				
Current accounts and deposits	387,656	110,265	387,656	110,265
Interest payable on deposits	4,735	887	4,735	887
Other creditors	<u>174,165</u>	<u>14,250</u>	<u>174,165</u>	<u>14,250</u>
Subsidiaries:				
Amount due from:				
Other debtors	<u>-</u>	<u>-</u>	<u>467</u>	<u>145</u>
Amount due to:				
Other creditors	<u>-</u>	<u>-</u>	<u>173,023</u>	<u>174,021</u>
Related companies:				
Amount due from:				
Current accounts and deposits	47,934	57,729	37,931	57,729
Other debtors	<u>14,573</u>	<u>10,587</u>	<u>14,573</u>	<u>10,587</u>

(c) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government linked entity is a substantial shareholder of the Bank's holding company with direct shareholding and indirect shareholding via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at the reporting date. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Bank.

All the transactions entered into by the Group with the government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related.

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28. Significant related party transactions and balances (cont'd.)

(c) Government-related entities (cont'd.)

Collectively, but not individually significant, transactions with government-related entities are summarised below:

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income:				
Fee and commission income	4,475	7,797	4,475	7,757
Brokerage income	35,420	3,433	35,420	2,645

(d) Key management personnel compensation

	Group and Bank	
	2014	2013
	RM'000	RM'000
Short-term employee benefits		
- Salary and other remuneration, including meeting allowances	2,224	3,226
- Pension costs - defined contribution plan	362	445
- Benefits-in-kind	112	224
Share-based payment		
- Employees' Share Scheme expenses	780	41
	<u>3,478</u>	<u>3,936</u>

(e) Credit exposures arising from credit transactions with connected parties:

	Group and Bank	
	2014	2013
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>3,353</u>	<u>3,152</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>0.72%</u>	<u>0.71%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>-</u>	<u>-</u>

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.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;

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28. Significant related party transactions and balances (cont'd.)

(e) Credit exposures arising from credit transactions with connected parties: (cont'd.)

- (ii) Controlling shareholder of the Bank and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

29. Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The risk weighted exposures of the Group and of the Bank as at the reporting date are as follows:

Group and Bank	2014			2013		
	Principal	Credit	Risk-	Principal	Credit	Risk-
	Amount	Equivalent	Weighted	Amount	Equivalent	Weighted
	RM'000	Amount*	Amount	RM'000	Amount*	Amount
Credit-related						
Obligations under underwriting agreements	30,000	15,000	3,000	30,000	15,000	3,000
Revocable commitments to extend credit:						
- Maturity not exceeding one year	922,908	-	-	708,370	-	-
- Maturity exceeding one year	753	376	376	553	277	277
	<u>953,661</u>	<u>15,376</u>	<u>3,376</u>	<u>738,923</u>	<u>15,277</u>	<u>3,277</u>

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29. Commitments and contingencies (cont'd.)

Group and Bank	2014			2013		
	Principal	Credit	Risk-	Principal	Credit	Risk-
	Amount	Equivalent	Weighted	Amount	Equivalent	Weighted
	RM'000	Amount*	Amount	RM'000	Amount*	Amount
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	307,818	-	-	75,780	-	-
- One year to less than three years	180,715	-	-	194,360	-	-
	488,533	-	-	270,140	-	-
Total commitments and contingencies	1,442,194	15,376	3,376	1,009,063	15,277	3,277

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

Contingent Liabilities

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

Case 1

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

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

Trial has commenced before the High Court with a total of 24 days of trial to date. Trial is scheduled to continue on 10 February to 12 February 2015. New trial dates have been fixed for 24 June, 29 June to 30 June, 1 July to 3 July and 13 July to 16 July 2015.

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

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29. Commitments and contingencies (cont'd.)

Contingent liabilities (cont'd.)

Case 2

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

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

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

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

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

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

On 20 November 2014, the Borrower and the guarantor filed a motion to the Federal Court for the Federal Court to review and set aside its own decision in dismissing the Leave Application ("Review Application"). The Review Application is now fixed for hearing on 30 March 2015.

In the meantime, pursuant to an order of the Court of Appeal dated 22 January 2015, the Borrower has been wound up and the Official Receiver has been appointed as liquidator of the Borrower. To date, there is no indication whether the Borrower has obtained sanction to proceed with the Review Application.

The Bank's solicitors are of the view that the Review Application is without merits.

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29. Commitments and contingencies (cont'd.)

Contingent liabilities (cont'd.)

Case 3

On 4 September 2013, a recovery action was filed by a bank ("Financier") against its corporate borrower ("the Borrower") and its guarantors for sums due and owing under credit facilities granted by the Financier to the Borrower ("the Loans"). The Loans were secured, inter alia, by a 3rd party 1st legal charge over a piece of land ("Land") in favour of the Bank as security agent for the Financier ("Charge").

On 16 October 2013, by way of a Counterclaim against the Financier and the Bank, the Borrower claimed that the Loans were obtained by the Borrower for the purpose of refinancing its subsidiary's ("the Subsidiary") outstanding Notes and Bonds held by the Bank and the Financier respectively, and as a result of representations purportedly made by the Bank to the Subsidiary. It was also alleged that the Bank had undertaken the above as agent for the Financier. In the Counterclaim, the Borrower sought against the Bank, inter alia, for a refund of RM2.1 million as interest allegedly overcharged by the Bank under the Notes Programme and payment of RM26.0 million being the amount equivalent to the marked-to-market losses under the Notes and Bond Programmes, which, it was alleged, the Bank and the Financier were obliged to pay to the Borrower.

On 10 December 2013, the Bank filed an application to strike out the Borrower's claim ("Striking Out Application"). By reason of the matters set out in the Bank's Striking Out Application concerning the locus standi of the Borrower in maintaining the Counterclaim, subsequently, the Subsidiary filed an application to be added and joined as co-plaintiff in the Counterclaim ("the Joinder Application").

On 9 May 2014, the Bank's and the Financier's Striking Out Applications were dismissed and the Subsidiary's Joinder Application was allowed by the High Court ("High Court Decisions"). The Bank and the Financier filed appeals to the Court of Appeal against the High Court Decisions ("the Appeals"). The Appeals were fixed for hearing on 25 August 2014.

Subsequently, on 22 August 2014, the Borrower and its guarantors entered into a consent judgement with the Bank and the Financier where, inter alia, the Borrower and its guarantors were to pay the Financier the consent judgement sum and the Borrower and the Subsidiary are to withdraw all their claims/counterclaims against the Bank and the Financier ("Consent judgement"). As such, the Borrower and the Subsidiary's claims/counterclaims against the Bank and the Financier were withdrawn on 22 August 2014.

By reason of the Consent judgement, the Bank had on 25 August 2014 withdrawn its appeal to the Court of Appeal against the High Court Decisions.

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29. Commitments and contingencies (cont'd.)

Contingent liabilities (cont'd.)

Case 3 (cont'd.)

In a separate but related proceeding, as a result of the Borrower's default under the Loans and the 3rd party chargor's ("Chargor") breach of the terms of the Charge, the Bank applied to the Land Office for an order for sale of the Land. The Land Administrator granted an order for sale on 3 June 2014 ("Order For Sale") and fixed the public auction of the Land on 28 August 2014.

Dissatisfied with the decision of the Land Administrator in granting the Order For Sale, the Chargor filed an originating summons against the Land Administrator and the Bank on 23 June 2014, applying for, inter alia, the Order For Sale to be set aside or in the alternative, for the reserve price to be increased.

By reason of and in accordance to the terms of the Consent judgement, the Chargor withdrew the originating summons on 21 August 2014 and the Bank postponed the auction pending an application to cancel the Order For Sale. The Land Office postponed the auction to 13 November 2014 and in the meantime, the application to cancel the Order For Sale was made on 26 September 2014. On 5 November 2014, the Land Administrator cancelled the Order For Sale and the auction on 13 November 2014 was, accordingly, cancelled.

30. Capital commitments

Capital expenditure approved by the directors but not provided for in the financial statements are as follows:

	Group and Bank	
	2014	2013
	RM'000	RM'000
Property, plant and equipment:		
- Approved and contracted for	2,389	7,604
- Approved but not contracted for	5,904	15,373
	<u>8,293</u>	<u>22,977</u>

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31. Capital adequacy

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

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets), which are issued by Bank Negara Malaysia. 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 for CET1, Tier 1 and Total Capital are 3.5%, 4.5% and 8.0% of total risk-weighted assets respectively.

The detailed disclosures on the risk-weighted assets, as set out in Notes 31(b), (c), (d), (e) and (f) are presented in accordance with Paragraph 4.3 of Bank Negara Malaysia's Guidelines - Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

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.

- (a) The capital adequacy ratios of the Group and of the Bank as at financial year end are as follows:

	Group	Bank
	%	%
<u>31 December 2014</u>		
Capital ratios		
CET1 capital ratio	30.902	28.726
Tier 1 capital ratio	30.902	28.726
Total capital ratio	<u>30.902</u>	<u>28.726</u>
	Group	Bank
	%	%
<u>31 December 2013</u>		
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>

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31. Capital adequacy (cont'd.)

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

<u>31 December 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	265,392	251,943
CET1 capital before regulatory adjustments	538,293	524,844
Less: Deferred tax assets	(18,339)	(18,339)
Intangible assets	(15,785)	(15,785)
Investment in subsidiaries and joint venture ¹	(10,770)	(41,662)
Liquidity reserve ²	(20)	(20)
CET1 capital/Tier 1 capital/Total capital	493,379	449,038
<u>31 December 2013</u>	Group RM'000	Bank RM'000
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	379,436	370,042
CET1 capital before regulatory adjustments	652,337	642,943
Less: Deferred tax assets	(22,938)	(22,938)
Intangible assets	(9,589)	(9,589)
Investment in subsidiaries and joint venture ¹	(10,549)	(41,672)
Liquidity reserve ²	(110)	(110)
CET1 capital/Tier 1 capital/Total capital	609,151	568,634

¹ Excludes the cost of investment in a subsidiary, Maysec (KL) Sdn Bhd of RM171,475,000 as its business, assets and liabilities were 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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31. Capital adequacy (cont'd.)

- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

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

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31. Capital adequacy (cont'd.)

- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

Group 31 December 2013 Exposure Class	Gross Credit Exposures RM'000	Net Credit Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
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) Market Risk				
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) Operational Risk				
	-	-	876,244	70,100
Total RWA and capital requirements	1,993,716	1,993,716	1,838,501	147,081

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31. Capital adequacy (cont'd.)

- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

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

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31. Capital adequacy (cont'd.)

- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

Bank 31 December 2013 Exposure Class	Gross Credit Exposures RM'000	Net Credit Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	435	435	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("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	<u>1,217,150</u>	<u>1,217,150</u>	<u>752,505</u>	<u>60,201</u>
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	<u>708,923</u>	<u>708,923</u>	<u>277</u>	<u>22</u>
Total off-balance sheet exposures	<u>738,923</u>	<u>738,923</u>	<u>3,277</u>	<u>262</u>
Total on and off-balance sheet exposures	<u>1,956,073</u>	<u>1,956,073</u>	<u>755,782</u>	<u>60,463</u>
(ii) Market Risk				
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	<u>-</u>	<u>-</u>	<u>192,100</u>	<u>15,368</u>
(iii) Operational Risk				
	<u>-</u>	<u>-</u>	<u>865,607</u>	<u>69,249</u>
Total RWA and capital requirements	<u>1,956,073</u>	<u>1,956,073</u>	<u>1,813,489</u>	<u>145,080</u>

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31. Capital adequacy (cont'd.)

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

Group	<----- Exposures after Netting and Credit Risk Mitigation ----->						
	Sovereigns & Central Banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory Retail RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000
31 December 2014							
Risk Weights							Total Risk- Weighted Assets RM'000
0%	343,466	-	-	-	-	6	343,472
20%	-	407,441	-	-	-	104,437	511,878
50%	-	7,163	4,301	108	-	-	11,572
75%	-	-	-	17,867	-	-	17,867
100%	-	-	12,576	72,867	-	166,744	252,187
150%	-	-	-	427	39,448	2,904	42,779
Total Exposures	343,466	414,604	16,877	91,269	39,448	274,091	1,179,755
Risk-Weighted Assets by Exposures	-	85,070	14,727	86,962	59,172	191,988	437,919
Average Risk Weights	0%	21%	87%	95%	150%	70%	37%

31. Capital adequacy (cont'd.)

<----- Exposures after Netting and Credit Risk Mitigation ----->

Risk-Weighted Assets	-	125,714	259,069	259,130	56,485	61,623	762,021
by Exposures							
Average Risk Weights	0%	23%	102%	93%	150%	47%	61%

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31. Capital adequacy (cont'd.)

(d) The breakdown of exposures by risk weights are as follows: (cont'd.)

Bank 31 December 2014	<----- Exposures after Netting and Credit Risk Mitigation ----->						
	Sovereigns & Central Banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory Retail RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000
Risk Weights							Total Risk- Weighted Assets RM'000
0%	343,466	-	-	-	-	4	343,470
20%	-	368,615	-	-	-	104,437	473,052
50%	-	7,163	4,301	108	-	-	11,572
75%	-	-	-	17,867	-	-	17,867
100%	-	-	12,576	72,867	-	162,879	248,322
150%	-	-	-	427	39,448	2,904	42,779
Total Exposures	343,466	375,778	16,877	91,269	39,448	270,224	1,137,062
							426,288
Risk-Weighted Assets by Exposures	-	77,305	14,727	86,962	59,172	188,122	426,288
Average Risk Weights	0%	21%	87%	95%	150%	70%	37%

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31. Capital adequacy (cont'd.)

(d) The breakdown of exposures by risk weights are as follows: (cont'd.)

Bank 31 December 2013		<----- Exposures after Netting and Credit Risk Mitigation ----->							Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
		Sovereigns & Central Banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Regulatory Retail RM'000	Higher Risk Assets RM'000	Other Assets RM'000			
Risk Weights										
0%		435	-	-	-	-	10,634	11,069	-	
20%		-	467,533	-	-	-	74,116	541,649	108,330	
50%		-	50,345	3,741	120	-	-	54,206	27,103	
75%		-	-	-	76,882	-	-	76,882	57,662	
100%		-	-	237,948	198,902	-	44,359	481,209	481,209	
150%		-	-	12,834	1,671	37,630	-	52,135	78,201	
Total Exposures		435	517,878	254,523	277,575	37,630	129,109	1,217,150	752,505	
Risk-Weighted Assets by Exposures		-	118,679	259,069	259,130	56,445	59,182	752,505		
Average Risk Weights		0%	23%	102%	93%	150%	46%	62%		

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31. Capital adequacy (cont'd.)

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

	Group		Bank	
	Principal Amount RM'000	Risk- Weighted Assets RM'000	Principal Amount RM'000	Risk- Weighted Assets RM'000
31 December 2014				
0%	343,472	-	343,470	-
20%	511,878	102,376	473,052	94,610
50%	11,572	5,786	11,572	5,786
75%	17,867	13,400	17,867	13,400
100%	252,187	252,187	248,322	248,322
150%	42,779	64,170	42,779	64,170
Risk-weighted assets for credit risk	1,179,755	437,919	1,137,062	426,288
Risk-weighted assets for market risk	126,557	170,661	119,861	163,962
Total risk-weighted assets	1,306,312	608,580	1,256,923	590,250
31 December 2013				
0%	11,070	-	11,069	-
20%	576,823	115,365	541,649	108,330
50%	54,206	27,103	54,206	27,103
75%	76,882	57,662	76,882	57,662
100%	483,650	483,650	481,209	481,209
150%	52,162	78,241	52,135	78,201
Risk-weighted assets for credit risk	1,254,793	762,021	1,217,150	752,505
Risk-weighted assets for market risk	126,013	196,959	119,281	192,100
Total risk-weighted assets	1,380,806	958,980	1,336,431	944,605

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31. Capital adequacy (cont'd.)

- (f) Disclosure on off-balance sheet exposures and related counterparty credit risk of the Group and of the Bank are as follows:

Group and Bank	2014			2013		
	Credit	Risk-		Credit	Risk-	
	Principal Amount	Equivalent Amount	Weighted Assets	Principal Amount	Equivalent Amount	Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit-related exposures						
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provided for automatic cancellation due to deterioration in a borrower's credit worthiness	923,661	376	376	708,923	277	277

- (g) The risk-weighted assets and capital requirements for the various categories of market risk are as follows:

Group	2014		2013	
	Risk-weighted Assets Equivalent	Capital Required	Risk-weighted Assets Equivalent	Capital Required
	RM'000	RM'000	RM'000	RM'000
Interest rate risk	19,271	1,542	48,827	3,906
Equity position risk	26,113	2,089	7,162	573
Foreign currency risk	87,881	7,030	62,835	5,027
Options risk	37,396	2,992	78,135	6,251
Total	170,661	13,653	196,959	15,757
Bank				
Interest rate risk	19,271	1,542	48,827	3,906
Equity position risk	26,113	2,089	7,162	573
Foreign currency risk	81,182	6,495	57,976	4,638
Options risk	37,396	2,992	78,135	6,251
Total	163,962	13,118	192,100	15,368

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32. Segment information

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

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

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

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

(i) Pillar 1 - Investment banking and advisory

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

(ii) Pillar 2 - Equities

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

(iii) Others

This segment includes investment holding, nominee and custodian services.

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

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32. Segment information (cont'd.)

Group 31 December 2014	Pillar 1 RM'000	Pillar 2 RM'000	Others RM'000	Total RM'000
Revenue				
Net interest income	1,311	24,301	353	25,965
Net income from Islamic Banking Scheme operations	23,505	5,801	-	29,306
Non-interest income	209,538	201,540	75,483	486,561
Total revenue	234,354	231,642	75,836	541,832
Results				
Segment results	234,354	231,642	75,836	541,832
Overhead expenses	(71,911)	(117,131)	(107,753)	(296,795)
Allowance for impairment on loans and advances and other debtors, net	(353)	(190)	-	(543)
Writeback of impairment on financial investments available-for-sale	15,018	-	-	15,018
Writeback of commitments and contingencies	-	-	500	500
Share of results of a joint venture	-	-	221	221
Profit before taxation	177,108	114,321	(31,196)	260,233
Taxation and zakat				(49,215)
Profit for the year				211,018
Other segment information				
Depreciation of property, plant and equipment	291	1,297	3,285	4,873
Amortisation of computer software	3	955	1,751	2,709

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32. Segment information (cont'd.)

Group 31 December 2013	Pillar 1 RM'000	Pillar 2 RM'000	Others RM'000	Total RM'000
Revenue				
Net interest income	3,900	27,777	(2,597)	29,080
Net income from Islamic Banking Scheme operations	44,862	4,474	-	49,336
Non-interest income	252,917	170,795	46,867	470,579
Total revenue	301,679	203,046	44,270	548,995
Results				
Segment results	301,679	203,046	44,270	548,995
Overhead expenses	(113,484)	(142,047)	(45,723)	(301,254)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(3,120)	2,522	-	(598)
Writeback of impairment on financial investments available-for-sale	2,573	-	-	2,573
Allowance for commitments and contingencies	-	-	(127)	(127)
Share of results of a joint venture	-	-	671	671
Profit before taxation	187,648	63,521	(909)	250,260
Taxation and zakat				(44,458)
Profit for the year				205,802
Other segment information				
Depreciation of property, plant and equipment	18	375	3,025	3,418
Amortisation of computer software	-	627	1,801	2,428

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33. Dividends

	Group and Bank	
	2014	2013
	RM'000	RM'000
In respect of the financial year ended 31 December 2012:		
A single-tier first and final dividend of RM3.52 on 50,116,000 ordinary shares	-	176,408
In respect of the financial year ended 31 December 2013:		
A single-tier first interim dividend of RM1.39 on 50,116,000 ordinary shares	-	69,661
A single-tier final dividend of approximately RM2.59 on 50,116,000 ordinary shares	130,000	-
In respect of the financial year ended 31 December 2014:		
A single-tier first interim dividend of RM0.98 on 50,116,000 ordinary shares	49,114	-
Second interim dividend, comprising of a single-tier dividend of approximately RM1.25 on 50,116,000 ordinary shares and a dividend in-specie of 2,100,000 ordinary shares in Cagamas Holdings Berhad at a fair value of RM84,483,000	147,027	-
	<u>326,141</u>	<u>246,069</u>

The Directors do not recommend the payment of final dividend in respect of the current financial year.

34. The operations of Islamic Banking Scheme (IBS)

Statements of financial position as at 31 December 2014

	Note	Group and Bank	
		2014	2013
		RM'000	RM'000
Assets			
Cash and short-term funds	(a)	2,151	8,894
Financial assets at fair value through profit or loss	(b)	20,240	-
Other assets	(c)	151,367	157,280
Total assets		<u>173,758</u>	<u>166,174</u>
Liabilities			
Other liabilities	(d)	210	1,337
Provision for taxation and zakat	(e)	10,989	9,060
Total liabilities		<u>11,199</u>	<u>10,397</u>

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

Statements of financial position as at 31 December 2014 (cont'd.)

	Group and Bank	
	2014	2013
	RM'000	RM'000
Islamic banking fund		
Islamic banking capital fund	5,000	5,000
Retained earnings	157,559	150,777
	<u>162,559</u>	<u>155,777</u>
Total liabilities and Islamic banking fund	<u>173,758</u>	<u>166,174</u>

Statements of comprehensive income for the year ended 31 December 2014

	Note	Group and Bank	
		2014	2013
		RM'000	RM'000
Income derived from investment of Islamic banking capital fund	(f)	29,306	49,336
Income attributable to the Group and the Bank		29,306	49,336
Overhead expenses	(g)	(19,595)	(15,990)
Profit before taxation and zakat		9,711	33,346
Taxation	(h)	(2,547)	(8,337)
Zakat	(h)	(382)	(780)
Profit for the year, representing total comprehensive income for the year, attributable to equity holder of the Bank		<u>6,782</u>	<u>24,229</u>

Statements of changes in equity for the year ended 31 December 2014

	Islamic banking fund	Group and Bank Distributable Retained earnings	Total
	RM'000	RM'000	RM'000
At 1 January 2014	5,000	150,777	155,777
Total comprehensive income	-	6,782	6,782
At 31 December 2014	<u>5,000</u>	<u>157,559</u>	<u>162,559</u>
At 1 January 2013	5,000	126,548	131,548
Total comprehensive income	-	24,229	24,229
At 31 December 2013	<u>5,000</u>	<u>150,777</u>	<u>155,777</u>

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

Statements of cash flows for the year ended 31 December 2014

	Group and Bank	
	2014	2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	9,711	33,346
Increase in financial investments portfolio	(20,240)	-
Increase/(decrease) in receivables	5,913	(41,770)
Decrease in payables	(2,127)	(20,391)
Net cash used in operating activities	<u>(6,743)</u>	<u>(28,815)</u>
Net decrease cash and cash equivalents	(6,743)	(28,815)
Cash and cash equivalents at beginning of the year	8,894	37,709
Cash and cash equivalents at end of the year	<u>2,151</u>	<u>8,894</u>

(a) Cash and short-term funds

	Group and Bank	
	2014	2013
	RM'000	RM'000
Cash and bank balances with financial institutions	51	194
Deposit placements maturing within one month	2,100	8,700
	<u>2,151</u>	<u>8,894</u>

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Unquoted financial investments:		
Private debt securities in Malaysia	<u>20,240</u>	<u>-</u>

(c) Other assets

	Group and Bank	
	2014	2013
	RM'000	RM'000
Debtors and prepayments	<u>151,367</u>	<u>157,280</u>

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(d) Other liabilities

	Group and Bank	
	2014	2013
	RM'000	RM'000
Provisions and accruals	210	1,337

(e) Provision for taxation and zakat

	Group and Bank	
	2014	2013
	RM'000	RM'000
Taxation	10,884	8,337
Zakat	105	723
	<u>10,989</u>	<u>9,060</u>

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Gross income from:		
- Financial assets at fair value through profit or loss	108	2,282
- Deposits and placements with financial institutions	418	509
Realised gain from sale of financial assets at fair value through profit or loss	4,555	24,865
Unrealised gain on revaluation of financial assets at fair value through profit or loss	198	-
Fee and commission income from:		
- Arranger and upfront fees	11,227	10,495
- Brokerage income	5,801	4,474
- Corporate advisory fees	845	555
- Underwriting commission	120	120
- Others	6,034	6,036
	<u>29,306</u>	<u>49,336</u>

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(g) Overhead expenses

	Group and Bank	
	2014	2013
	RM'000	RM'000
Personnel expenses	19,000	15,701
Establishment costs (Note (i))	(1,290)	(1,588)
Marketing expenses	577	968
Administration and general expenses	1,308	909
	<u>19,595</u>	<u>15,990</u>

Note (i): Included in establishment costs is service chargeback amounting to approximately RM3,300,000 (2013: RM3,300,000).

(h) Taxation and zakat

	Group and Bank	
	2014	2013
	RM'000	RM'000
Tax expense:		
Malaysian income tax	2,547	8,337
Zakat	382	780
Tax expense and zakat for the year	<u>2,929</u>	<u>9,117</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year.

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Profit before taxation and zakat	<u>9,711</u>	<u>33,346</u>
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	2,428	8,337
Expenses not deductible for tax purposes	119	-
Zakat	382	780
Tax expense and zakat for the year	<u>2,929</u>	<u>9,117</u>

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Capital adequacy

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

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets), which are issued by Bank Negara Malaysia. 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 for CET1, Tier 1 and Total Capital are 3.5%, 4.5% and 8.0% of total risk-weighted assets respectively.

The detailed disclosures on the risk-weighted assets, as set out in Notes 34(i)(i), (i)(ii), (i)(iii) and (i)(iv) are presented in accordance with Paragraph 4.3 of Bank Negara Malaysia's Guidelines - Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

- (i) The capital adequacy ratios of the Group and of the Bank as at financial year end are as follows:

	Group and Bank	
	2014	2013
	%	%
CET1 capital ratio	65.461	59.040
Tier 1 capital ratio	65.461	59.040
Total capital ratio	<u>65.461</u>	<u>59.040</u>

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Islamic banking capital fund	5,000	5,000
Retained earnings	157,559	150,777
CET1 capital/Tier 1 capital/Total capital	<u>162,559</u>	<u>155,777</u>

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Capital adequacy (cont'd.)

(iii) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

IBS 31 December 2014 Exposure Class	Gross Credit Exposures RM'000	Net Credit Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/				
Central banks	49	49	-	-
Banks, DFIs and				
MDBs	2,102	2,102	420	34
Other assets	346,697	346,697	102,022	8,162
Total on-balance sheet exposures	348,848	348,848	102,442	8,196
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	348,848	348,848	102,442	8,196
(ii) Market Risk				
Interest rate risk			19,271	1,542
Foreign Currency Risk			2	-
Total	-	-	19,273	1,542
(iii) Operational Risk				
	-	-	126,614	10,129
Total RWA and capital requirements	348,848	348,848	248,329	19,867

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Capital adequacy (cont'd.)

(iii) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (cont'd.)

IBS 31 December 2013 Exposure Class	Gross Credit Exposures RM'000	Net Credit Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/				
Central banks	192	192	-	-
Banks, DFIs and				
MDBs	8,702	8,702	1,740	139
Other assets	305,696	305,696	93,455	7,476
Total on-balance sheet exposures	314,590	314,590	95,195	7,615
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	314,590	314,590	95,195	7,615
(ii) <u>Market Risk</u>	-	-	2	-
(iii) <u>Operational Risk</u>	-	-	168,655	13,492
Total RWA and capital requirements	314,590	314,590	263,852	21,107

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Capital adequacy (cont'd.)

(iv) The breakdown of credit risk exposures by risk weights for the financial year end are as follows:

IBS 31 December 2014 Risk Weights	Sovereigns/ Central Banks RM'000	Banks, DFIs, and MDBs RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000
0%	49	-	-	49
20%	-	2,102	305,843	307,945
100%	-	-	40,854	40,854
Total Exposures	49	2,102	346,697	348,848

Risk-Weighted Assets by Exposures	-	420	102,022	102,442
Average Risk Weight	0%	20%	29%	29%

IBS 31 December 2013 Risk Weights	Sovereigns/ Central Banks RM'000	Banks, DFIs, and MDBs RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000
0%	192	-	-	192
20%	-	8,702	265,301	274,003
100%	-	-	40,395	40,395
Total Exposures	192	8,702	305,696	314,590

Risk-Weighted Assets by Exposures	-	1,740	93,455	95,195
Average Risk Weight	0%	20%	31%	30%

(v) There is no off-balance sheet exposures and related counterparty credit risk of the Group and of the Bank.

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(j) Yield/profit rate risk on IBS portfolio

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Group and the Bank to protect the income from IBS operations.

The table below summarises the Group's and the Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective yield/profit rates as at the balance sheet date and the years in which the financial instruments reprice or mature, whichever is earlier.

Group and Bank 31 December 2014	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- profit sensitive RM'000	Total RM'000	Effective Interest Rate %
Assets								
Cash and short-term funds	1,000	-	-	-	-	1,151	2,151	3.15%
Other assets	-	-	-	-	-	171,607	171,607	-
Total assets	1,000	-	-	-	-	172,758	173,758	

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Yield/profit rate risk on IBS portfolio (contd.)

Group and Bank 31 December 2014 (cont'd.)	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- profit sensitive RM'000	Total RM'000	Effective Interest Rate %
Liabilities and Islamic Banking Fund								
Other liabilities	-	-	-	-	-	210	210	-
Provision for taxation and zakat	-	-	-	-	-	10,989	10,989	-
Total liabilities	-	-	-	-	-	11,199	11,199	
Reserves								
Total Islamic Banking Fund	-	-	-	-	-	162,559	162,559	-
Total liabilities and Islamic Banking Fund	-	-	-	-	-	173,758	173,758	
Total yield/profit rate sensitivity gap	1,000	-	-	-	-	(1,000)	-	
Cumulative yield/profit rate sensitivity gap	1,000	1,000	1,000	1,000	1,000	-	-	

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(j) Yield/profit rate risk on IBS portfolio (contd.)

Group and Bank 31 December 2013	Up to 1 Month RM'000	> 1 - 3 Months RM'000	>3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- profit sensitive RM'000	Total RM'000	Effective Interest Rate %
Assets								
Cash and short-term funds	8,700	-	-	-	-	194	8,894	2.95
Other assets	-	-	-	-	-	157,280	157,280	-
Total assets	8,700	-	-	-	-	157,474	166,174	

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(i) Yield/profit rate risk on IBS portfolio (contd.)

Group and Bank 31 December 2013 (cont'd.)	Up to 1 Month RM'000	> 1 - 3 Months RM'000	>3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- profit sensitive RM'000	Total RM'000	Effective Interest Rate %
Liabilities and Islamic Banking Fund								
Other liabilities	-	-	-	-	-	1,337	1,337	-
Provision for taxation and zakat	-	-	-	-	-	9,060	9,060	-
Total liabilities	-	-	-	-	-	10,397	10,397	
Reserves	-	-	-	-	-	155,777	155,777	-
Total Islamic Banking Fund	-	-	-	-	-	155,777	155,777	
Total liabilities and Islamic Banking Fund	-	-	-	-	-	166,174	166,174	
Total yield/profit rate sensitivity gap	8,700	-	-	-	-	(8,700)	-	
Cumulative yield/profit rate sensitivity gap	8,700	8,700	8,700	8,700	8,700	-	-	

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34. The operations of Islamic Banking Scheme (IBS) (cont'd.)

(k) 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.

(l) 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.

(m) 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 Manuals;
- (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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35. Fair values

This note provides fair value measurement information for both financial and non-financial instruments and is structured as follows:

- (a) Valuation principles
- (b) Valuation techniques
- (c) Fair value measurements and classification within the fair value hierarchy
- (d) Financial instruments not measured at fair value

(a) Determination of fair value

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group and the Bank determine the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Group and the Bank have also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group and the Bank follow methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group and the Bank continuously enhance their design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

For disclosure purposes, the level in the hierarchy within which the instruments is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements:

- **Level 1: Quoted prices**

Refers to 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.

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35. Fair values (cont'd.)

(a) Determination of fair value (cont'd.)

- 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 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, illiquid equities and consumer loans and financing with homogeneous or similar features in the market.

- 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 financing priced primarily based on internal credit assessment.

(b) Valuation techniques

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

Derivative financial instruments

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

Financial assets at fair value through profit or loss and financial investments available-for-sale

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

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarized in the table below:

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35. Fair values (cont'd.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

Group and Bank	Valuation techniques using			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Un- observable Inputs (Level 3) RM'000	
2014				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	186,807	20,240	-	207,047
Derivative assets	-	14,754	-	14,754
	<u>186,807</u>	<u>34,994</u>	<u>-</u>	<u>221,801</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>14,490</u>	<u>8,555</u>	<u>-</u>	<u>23,045</u>
2013				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	<u>31,724</u>	<u>54,849</u>	<u>-</u>	<u>86,573</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>9,020</u>	<u>532</u>	<u>-</u>	<u>9,552</u>

There have been no transfers between Level 1 and Level 2 for the Group and the Bank during the current and prior year.

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35. Fair values (cont'd.)

(d) Financial instruments not measured at fair value

The on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all their assets and liabilities with the exception of investment in subsidiaries, investment in associates and joint venture, property, plant and equipment and provision for current and deferred taxation. For a portion of the Group's and of the Bank's financial instruments, including loans and advances, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a portion of the Group's and of the Bank's financial instruments, including loans and advances, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction as at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and of the Bank as a going concern.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statements of financial position, except for the financial assets as stated below.

	2014		2013	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group and Bank				
Financial assets				
Financial investments				
available-for-sale*	123,928	84,483 (Level 2)	37,630	- (Level 2)
Loans and advances	238,069	239,213 (Level 2)	384,872	385,070 (Level 2)

* It is not practical to estimate the fair value for certain unquoted equity instruments due to absence of an active market. However, the Directors do not anticipate the carrying amount recorded as at the reporting date to be significantly different from the value that would eventually be received.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

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35. Fair values (cont'd.)

(d) Financial instruments not measured at fair value (cont'd.)

(i) Cash and short-term funds

The carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

(ii) Deposits and placements with financial institutions

The carrying amount of those financial instruments with remaining maturities of less than one year approximates their fair value due to the relatively short maturity of these instruments. For deposits and placements with maturities of more than one year, the fair values are estimated based on the discounted cash flows using applicable prevailing market rates of similar instruments as at the reporting date.

(iii) Financial investments available-for-sale and financial investments held-to-maturity

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(iv) Loans and advances

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans, the fair values are estimated based on expected future cash flows of contractual installment payments, discounted at applicable and prevailing rates as at the reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of individual assessment allowance.

(v) Deposits and placements from a licensed bank

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding years based on the actual profits generated from the assets invested.

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36. Financial risk management objectives and policies

(a) Financial risk management overview

Risk management is a critical pillar of the Group's and the Bank's operating model, complementing the other two pillars, which are business sectors and support sectors. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Group and the Bank.

At the management level, the Management Risk Committee ensures all key risks are managed in line with their respective Terms of Reference.

The Group's and the Bank's approach to risk management is premised on the following Seven Broad Principles of Risk Management:

- (i) The risk management approach is premised on the three lines of defence concept - risk taking units, risk control units and internal audit.
- (ii) The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach.
- (iii) Risk Management provides risk oversight for the major risk categories including credit, market, liquidity and operational risks.
- (iv) Risk Management ensures that the core risk policies of the Group and of the Bank are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
- (v) Risk Management is functionally and organisationally independent of business sectors and other risk taking units within the Group and the Bank.
- (vi) The Board, through the Risk Management Committee, maintains overall responsibility for the risk oversight function within the Group and the Bank.
- (vii) Risk Management ensures the execution of various risk policies and related decisions empowered by the Board.

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36. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category

Group	Fair value through profit or loss	Available- for-sale	Held-to- maturity	Loans and receivables	Sub-total	Assets not in scope of MFRS 139	Total
31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	-	-	-	554,940	554,940	-	554,940
Deposits and placements with financial institutions	-	-	-	34,203	34,203	-	34,203
Financial investments portfolio	207,047	123,928	33	-	331,008	-	331,008
Loans and advances	-	-	-	238,069	238,069	-	238,069
Derivative assets	14,754	-	-	-	14,754	-	14,754
Other assets	-	-	-	598,636	598,636	62,961	661,597
Tax recoverable	-	-	-	-	-	2,007	2,007
Statutory deposits with Bank Negara Malaysia	-	-	-	105	105	-	105
Investment in a joint venture	-	-	-	-	-	10,770	10,770
Property, plant and equipment	-	-	-	-	-	19,742	19,742
Intangible assets	-	-	-	-	-	15,785	15,785
Deferred tax assets	-	-	-	-	-	18,339	18,339
TOTAL ASSETS	221,801	123,928	33	1,425,953	1,771,715	129,604	1,901,319
	Fair value through profit or loss						
				Other financial liabilities	Sub-total	Liabilities not in scope of MFRS 139	Total
				RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits and placements from a licensed bank	-	-	-	392,391	392,391	-	392,391
Derivative liabilities	23,045	-	-	-	23,045	-	23,045
Other liabilities	-	-	-	566,849	566,849	377,973	944,822
Provision for taxation and zakat	-	-	-	-	-	2,768	2,768
TOTAL LIABILITIES	23,045	959,240	982,285	380,741	1,363,026		

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36. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category (cont'd.)

Group	Fair value through profit or loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Cash and short-term funds	-	-	-	344,343	344,343	-	344,343
Deposits and placements with financial institutions	-	-	-	28,470	28,470	-	28,470
Financial investments portfolio	86,573	37,630	33	-	124,236	-	124,236
Loans and advances	-	-	-	384,872	384,872	-	384,872
Other assets	-	-	-	368,372	368,372	26,475	394,847
Tax recoverable	-	-	-	-	-	11,906	11,906
Statutory deposits with Bank Negara Malaysia	-	-	-	105	105	-	105
Investment in associates	-	-	-	-	-	10,549	10,549
Property, plant and equipment	-	-	-	-	-	20,659	20,659
Intangible assets	-	-	-	-	-	9,589	9,589
Deferred tax assets	-	-	-	-	-	22,938	22,938
TOTAL ASSETS	86,573	37,630	33	1,126,162	1,250,398	102,116	1,352,514
	Fair value through profit or loss RM'000			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities							
Deposits and placements from a licensed bank	-	-	-	111,152	111,152	-	111,152
Derivative liabilities	9,552	-	-	-	9,552	-	9,552
Other liabilities	-	-	-	374,761	374,761	203,989	578,750
Provision for taxation and zakat	-	-	-	-	-	723	723
TOTAL LIABILITIES	9,552	485,913	495,465	204,712	700,177		

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36. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category (cont'd.)

Bank	Fair value through profit or loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
31 December 2014							
Assets							
Cash and short-term funds	-	-	-	526,132	526,132	-	526,132
Deposits and placements with financial institutions	-	-	-	24,162	24,162	-	24,162
Financial investments portfolio	207,047	123,928	33	-	331,008	-	331,008
Loans and advances	-	-	-	238,069	238,069	-	238,069
Derivative assets	14,754	-	-	-	14,754	-	14,754
Other assets	-	-	-	598,636	598,636	59,235	657,871
Statutory deposits with Bank Negara Malaysia	-	-	-	105	105	-	105
Investment in subsidiaries	-	-	-	-	-	203,259	203,259
Investment in a joint venture	-	-	-	-	-	9,878	9,878
Property, plant and equipment	-	-	-	-	-	19,622	19,622
Intangible assets	-	-	-	-	-	15,785	15,785
Deferred tax assets	-	-	-	-	-	18,339	18,339
TOTAL ASSETS	221,801	123,928	33	1,387,104	1,732,866	326,118	2,058,984
	Fair value through profit or loss RM'000			Other financial liabilities RM'000		Liabilities not in scope of MFRS 139 RM'000	
Liabilities							
Deposits and placements from a licensed bank	-	-	-	392,391	392,391	-	392,391
Derivative liabilities	23,045	-	-	-	23,045	-	23,045
Other liabilities	-	-	-	566,849	566,849	549,113	1,115,962
Provision for taxation and zakat	-	-	-	-	-	2,742	2,742
TOTAL LIABILITIES	23,045	23,045	23,045	959,240	982,285	551,855	1,534,140

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36. Financial risk management objectives and policies (cont'd.)

(b) Financial instrument by category (cont'd.)

Bank	Fair value through profit or loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
31 December 2013							
Assets							
Cash and short-term funds	-	-	-	310,464	310,464	-	310,464
Deposits and placements with financial institutions	-	-	-	27,173	27,173	-	27,173
Financial investments portfolio	86,573	37,630	33	-	124,236	-	124,236
Loans and advances	-	-	-	384,872	384,872	-	384,872
Other assets	-	-	-	368,372	368,372	24,135	392,507
Tax recoverable	-	-	-	-	-	10,630	10,630
Statutory deposits with Bank Negara Malaysia	-	-	-	105	105	-	105
Investment in subsidiaries	-	-	-	-	-	203,269	203,269
Investment in a joint venture	-	-	-	-	-	9,878	9,878
Property, plant and equipment	-	-	-	-	-	20,532	20,532
Intangible assets	-	-	-	-	-	9,589	9,589
Deferred tax assets	-	-	-	-	-	22,938	22,938
TOTAL ASSETS	86,573	37,630	33	1,090,986	1,215,222	300,971	1,516,193
	Fair value through profit or loss RM'000			Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities							
Deposits and placements from a licensed bank	-	-	-	111,152	111,152	-	111,152
Derivative liabilities	9,552	-	-	-	9,552	-	9,552
Other liabilities	-	-	-	374,761	374,761	377,062	751,823
Provision for taxation and zakat	-	-	-	-	-	723	723
TOTAL LIABILITIES	9,552	485,913	495,465	377,785	873,250		

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management

(1) Credit risk management overview

Risk appetite for credit risk is an expression of the amount of risk that the Group and the Bank are willing to take in pursuing its strategic objectives. It reflects the Group's and the Bank's capacity to sustain potential losses arising from a range of potential consequences under different stress scenarios. This is defined in terms of both impact to earnings and maintenance of minimum regulatory capital requirements.

Credit risk definition

Credit risk arises as a result of customers' or counterparties' failure or unwillingness to fulfill their financial and contractual obligations as and when they arise. These obligations arise from the Group's and the Bank's principal activities. As the Group's and the Bank's primary business is in investment banking and provision of stockbroking, the Group's and the Bank's exposure to credit risk is primarily from its lending activities, underwriting commitments and provision of stockbroking services. Other activities such as futures trading, holding and settlement of equity or debt securities also exposes the Group and the Bank to credit and counterparty risk.

(2) Management of credit risk

Management of credit risk includes credit origination by Business Units as the risk taking units, pre-approval evaluation by Credit Management Department, independent comments from Credit Risk Management and credit approval by Approving Authority and Credit and Underwriting Committee. Various risk management tools such as Online Risk Management System ("ORMS") and Group Exposure Management System ("GEMS") are used to monitor the Group's and the Bank's overall exposures and limits.

To manage counterparty concentration exposures, the Group and the Bank have in place, amongst others, the following limits and related guidelines to avoid undue concentration of credit risk in its business portfolio:

- Single counterparty exposure
- Single counter exposure

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(3) Credit Risk Management ("CRM") Policies

The CRM Policies includes comprehensive credit risk policies, tools and methodologies for identification, measurement, monitoring and control of credit risk on a consistent basis. Components of the CRM Policies constitute:

- Strong emphasis in creating and enhancing credit risk awareness;
- Comprehensive selection and training of lending personnel in the management of credit risk; and
- Leveraging on knowledge sharing tools including e-learning courses to enhance credit skills within the Group and the Bank.

The Group's and the Bank's credit approving process encompass pre-approval evaluation and approval. CRM is responsible for developing, enhancing and communicating an effective and consistent credit risk policies across the Group and the Bank to ensure appropriate credit policies are in place to identify, measure, control and monitor such risks.

(4) Maximum exposure to credit risk

The following analysis represents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial assets, without taking into account of any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet financial assets, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(4) Maximum exposure to credit risk (cont'd.)

	Group			
	2014		2013	
	Maximum Exposure RM'000	Financial Effect of Collateral %	Maximum Exposure RM'000	Financial Effect of Collateral %
Credit exposure for on-balance sheet financial assets:				
Cash and short-term funds	554,940	-	344,343	-
Deposits and placements with financial institutions	34,203	-	28,470	-
Financial investments portfolio	331,008	-	124,236	-
Loans and advances	238,069	95%	384,872	97%
Derivative assets	14,754	-	-	-
Other assets	598,636	-	368,372	-
Statutory deposits with Bank Negara Malaysia	105	-	105	-
	<u>1,771,715</u>		<u>1,250,398</u>	
Credit exposure for off-balance sheet financial assets:				
Obligations under underwriting agreements	30,000	-	30,000	-
Revocable commitments to extend credit	923,661	-	708,923	-
	<u>953,661</u>		<u>738,923</u>	
Total maximum credit risk exposure	<u>2,725,376</u>		<u>1,989,321</u>	

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(4) Maximum exposure to credit risk (cont'd.)

	Bank			
	2014		2013	
	Maximum Exposure RM'000	Financial Effect of Collateral %	Maximum Exposure RM'000	Financial Effect of Collateral %
Credit exposure for on-balance sheet financial assets:				
Cash and short-term funds	526,132	-	310,464	-
Deposits and placements with financial institutions	24,162	-	27,173	-
Financial investments portfolio	331,008	-	124,236	-
Loans and advances	238,069	95%	384,872	97%
Derivative assets	14,754	-	-	-
Other assets	598,636	-	368,372	-
Statutory deposits with Bank Negara Malaysia	105	-	105	-
	<u>1,732,866</u>		<u>1,215,222</u>	
Credit exposure for off-balance sheet financial assets:				
Obligations under underwriting agreements	30,000	-	30,000	-
Revocable commitments to extend credit	923,661	-	708,923	-
	<u>953,661</u>		<u>738,923</u>	
Total maximum credit risk exposure	2,686,527		1,954,145	

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(5) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- For mortgages to staff - Properties
- For auto loans to staff - Vehicles
- For share margin financing - Quoted shares/cash/fixed deposits
- For other loans - Fixed deposits/properties

(6) Credit quality of financial assets

For the purposes of disclosure relating to MFRS 7, all financial assets are categorised into the following:

- neither past due nor impaired
- past due but not impaired
- past due and impaired

(i) Financial assets that are neither past due nor impaired

Gross loans and advances that are neither past due nor impaired are identified into the following grades:

- "Good grade" refers to loans and advances which are neither past due nor have undergone any rescheduling and/or restructuring exercise and were never impaired in the last six months.
- "Satisfactory grade" refers to loans and advances which may have been past due or have undergone any rescheduling and/or restructuring exercise or were impaired in the last six months.

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(6) Credit quality of financial assets (cont'd.)

(i) Financial assets that are neither past due nor impaired (cont'd.)

Group and Bank 2014			
	Good RM'000	Satisfactory RM'000	Total RM'000
Amount due from brokers and clients			
- Margin accounts	215,928	-	215,928
- Non-margin accounts	586,722	-	586,722
Foreign currency loans	3,353	-	3,353
Staff loans	17,143	-	17,143
	823,146	-	823,146

Group and Bank 2013			
	Good RM'000	Satisfactory RM'000	Total RM'000
Amount due from brokers and clients			
- Margin accounts	364,302	-	364,302
- Non-margin accounts	361,354	-	361,354
Foreign currency loans	3,152	-	3,152
Staff loans	15,847	-	15,847
	744,655	-	744,655

Cash and short-term funds, deposits and placements with financial institutions, financial investments portfolio and statutory deposits with Bank Negara Malaysia that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(6) Credit quality of financial assets (cont'd.)

(ii) Financial assets that are past due but not impaired

Gross loans and advances that are past due but not impaired are those loans and advances where the customer has failed to make a principal or interest payment when due one or more days after the contractual due date but is less than 3 months. These loans and advances are secured in nature.

	Group and Bank 2014	
	Past due within 90 days but not impaired RM'000	Total RM'000
Term loans		
- Other term loan	910	910

	Group and Bank 2013	
	Past due within 90 days but not impaired RM'000	Total RM'000
Term loans		
- Other term loan	823	823

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(6) Credit quality of financial assets (cont'd.)

(iii) Impaired financial assets

For all loans and advances that are considered individually significant, the Group and the Bank assess on a case to case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria that the Group and the Bank use to determine that there is objective evidence of impairment include:

- any significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- high probability of bankruptcy or other financial reorganisation of the borrower; and
- the viability of the customer's business operations and its capability to trade successfully out of financial difficulties and to generate sufficient cash flow to service its debt obligations.

	Group and Bank 2014		
	Individual assessment		
	Impaired RM'000	allowance RM'000	Total RM'000
Term loans			
- Syndicated term loan	6,447	(6,005)	442
- Other term loan	554	(262)	292
Amount due from brokers and clients			
- Non-margin accounts	6,623	(4,438)	2,185
	<u>13,624</u>	<u>(10,705)</u>	<u>2,919</u>

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36. Financial risk management objectives and policies (cont'd.)

(c) Credit risk management (cont'd.)

(6) Credit quality of financial assets (cont'd.)

(iii) Impaired financial assets (cont'd.)

	Group and Bank 2013		
	Individual assessment allowance		
	Impaired RM'000	RM'000	Total RM'000
Term loans			
- Syndicated term loan	6,447	(6,005)	442
- Other term loan	568	(262)	306
Amount due from brokers and clients			
- Non-margin accounts	2,345	(676)	1,669
	<u>9,360</u>	<u>(6,943)</u>	<u>2,417</u>

(d) Market risk management

(1) Market risk management overview

The Group and the Bank recognise market risk as the risk of losses for on and off balance sheet financial instruments arising from movements in market prices. Market risk arises through the Group's and Bank's trading and balance sheet activities. The primary categories of market risk for the Group and the Bank are:

- (i) Interest rate risk: arising from changes in yield curves and credit spreads;
- (ii) Foreign exchange risk: arising from changes in exchange rates; and
- (iii) Equity price risk: arising from changes in prices of equities, equity indices and equity baskets.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(2) Management of market risk

The Risk Management Committee ("RMC") approves the Group's and the Bank's Market Risk Management Framework and Risk Appetite, taking into account business volumes, targeted returns, market volatility and range of products and services.

The Management Risk Committee ("MRC") is the Management Committee that recommends frameworks and policies to identify, measure, monitor, manage and control the material risks to RMC for approval.

The Asset and Liability Management Committee ("ALCO") in the Maybank Group, under the authority delegated by the RMC, ensures that the approved market risk policies and limits are implemented effectively.

Market Risk Management ("MRM") as an independent risk control unit ensures efficient implementation of market risk management frameworks and risk controls to support business growth. Its primary objective is to facilitate risk/return decisions, reduce volatility in earnings, highlight transparent market risk profile to senior management, RMC, Board of Directors, Maybank Group and regulators.

(3) Market Risk Management ("MRM") framework

The MRM framework serves as the base for overall and consistent management of market risk. It covers key risk management activities such as identification, measurement, monitoring, control and reporting of market risk exposures, which are benchmarked against industry leading practices and regulatory requirements. This framework facilitates the Group and the Bank to manage its market risk exposures in a systematic and consistent manner.

Measurement and monitoring

The Group's and the Bank's traded market risk exposures are primarily from proprietary trading, derivative financial instruments and underwriting commitments. The risk measurement techniques employed by the Group and the Bank comprise of both quantitative and qualitative measures.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(3) Market Risk Management ("MRM") framework (cont'd.)

Measurement and monitoring (cont'd.)

(i) Valuation

All trading positions are marked-to-market on a consistent and daily basis using quoted prices within active markets. If this is not possible, positions are marked-to-model using models, which have been independently validated. The valuations are reviewed on a regular basis and there are adjustments are made to incorporate counterparty risk, bid/ask spreads and market liquidity, which is in line with MFRS 139 standards. The Group and the Bank also perform Independent Price Verification ("IPV") to ensure the consistency and accuracy of the valuations of all trading positions.

(ii) Stress testing

The Group and the Bank perform stress testing to assess its ability to withstand any changes/stress economic and financial conditions that could have unfavourable effects on the Group's and the Bank's profitability and capital base. By evaluating the size of the unexpected losses, the Group and the Bank are able to understand the risk profiles and potential exposures to unlikely but plausible events in abnormal markets using multiple scenarios and undertake the appropriate measures. Scenarios are updated dynamically and may be refined on an ongoing basis to reflect current market conditions.

(iii) Other risk control

The business strategies to manage risk include transferring the risk to another party such as entering into a back-to-back deal with external counterparties, avoiding the risk, reducing the negative effect or probability of the risk through offsetting positions, or even accepting some or all of the consequences of a particular risk. The Group's and the Bank's policies, processes and controls are designed to achieve a balance between exploiting trading opportunities and managing earnings volatility within a framework of sound and prudent practices.

(iv) Qualitative measures

The goal of the risk measurement process is to attempt to quantify the risk exposures. However, not all risks are quantifiable. Where risk quantification is not an effective option, qualitative/judgmental measures are applied, e.g. notification alert upon 75% utilisation of risk limits, monitoring of large ticket items, etc.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net interest income from changes in market interest rates.

The table below summarises the Group's and the Bank's exposure to interest rate risk. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

Group	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
31 December 2014									
Assets									
Cash and short-term funds	354,256	7,000	-	-	-	193,684	-	554,940	3.16
Deposits and placements with financial institutions	7,000	4,136	3,000	-	-	20,067	-	34,203	3.32
Financial assets at FVTPL	-	-	-	-	-	-	207,047	207,047	-
Financial investments AFS	-	-	-	-	-	123,928	-	123,928	-
Financial investments HTM	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	216,687	-	18	532	10,171	9,927	-	237,335	6.22
- impaired*	-	-	-	-	-	734	-	734	-
Other assets	-	-	-	-	-	661,597	-	661,597	-
Derivative assets	-	-	-	-	-	-	14,754	14,754	-
Other non-interest sensitive balances	-	-	-	-	-	66,748	-	66,748	-
Total assets	577,943	11,136	3,018	532	10,171	1,076,718	221,801	1,901,319	

* This is arrived at after deducting the individual allowance from gross impaired loans.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk (cont'd.)

Group (cont'd.) 31 December 2014	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
Liabilities and equity									
Deposits and placements from a licensed bank	266,347	121,309	-	-	-	4,735	-	392,391	3.32
Derivative liabilities	-	-	-	-	-	-	23,045	23,045	-
Other liabilities	-	-	-	-	-	944,822	-	944,822	-
Other non-interest sensitive balances	-	-	-	-	-	2,768	-	2,768	-
Total liabilities	266,347	121,309	-	-	-	952,325	23,045	1,363,026	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	488,177	-	488,177	-
Total equity	-	-	-	-	-	538,293	-	538,293	
Total liabilities and equity	266,347	121,309	-	-	-	1,490,618	23,045	1,901,319	
On-balance sheet interest sensitivity gap	311,596	(110,173)	3,018	532	10,171	(413,900)	198,756	-	
Total interest sensitivity gap	311,596	(110,173)	3,018	532	10,171	(413,900)	198,756	-	
Cumulative interest rate sensitivity gap	311,596	201,423	204,441	204,973	215,144	(198,756)	-	-	

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk (cont'd.)

Group	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
31 December 2013									
Assets									
Cash and short-term funds	144,564	-	-	-	-	199,779	-	344,343	2.91
Deposits and placements with financial institutions	-	20	1,270	-	-	27,180	-	28,470	3.15
Financial assets at FVTPL	-	-	-	-	-	-	86,573	86,573	-
Financial investments AFS	-	-	-	-	-	37,630	-	37,630	-
Financial investments HTM	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	364,701	-	3	849	10,025	8,546	-	384,124	6.55
- impaired*	-	-	-	-	-	748	-	748	-
Other assets	-	-	-	-	-	394,847	-	394,847	-
Other non-interest sensitive balances	-	-	-	-	-	75,746	-	75,746	-
Total assets	509,265	20	1,273	849	10,025	744,509	86,573	1,352,514	

* This is arrived at after deducting the individual allowance from gross impaired loans.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk (cont'd.)

Group (cont'd.) 31 December 2013	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
Liabilities and equity									
Deposits and placements from a licensed bank	-	110,265	-	-	-	887	-	111,152	3.01
Derivative liabilities	-	-	-	-	-	-	9,552	9,552	-
Other liabilities	-	-	-	-	-	578,750	-	578,750	-
Other non-interest sensitive balances	-	-	-	-	-	723	-	723	-
Total liabilities	-	110,265	-	-	-	580,360	9,552	700,177	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	602,221	-	602,221	-
Total equity	-	-	-	-	-	652,337	-	652,337	
Total liabilities and equity	-	110,265	-	-	-	1,232,697	9,552	1,352,514	
On-balance sheet interest sensitivity gap	509,265	(110,245)	1,273	849	10,025	(488,188)	77,021	-	
Total interest sensitivity gap	509,265	(110,245)	1,273	849	10,025	(488,188)	77,021	-	
Cumulative interest rate sensitivity gap	509,265	399,020	400,293	401,142	411,167	(77,021)	-	-	

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk (cont'd.)

Bank 31 December 2014	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
Assets									
Cash and short-term funds	351,966	-	-	-	-	174,166	-	526,132	3.15
Deposits and placements with financial institutions	-	4,116	-	-	-	20,046	-	24,162	3.50
Financial assets at FVTPL	-	-	-	-	-	-	207,047	207,047	-
Financial investments AFS	-	-	-	-	-	123,928	-	123,928	-
Financial investments HTM	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	216,687	-	18	532	10,171	9,927	-	237,335	6.22
- impaired*	-	-	-	-	-	734	-	734	-
Other assets	-	-	-	-	-	657,871	-	657,871	-
Derivative assets	-	-	-	-	-	-	14,754	14,754	-
Other non-interest sensitive balances	-	-	-	-	-	266,988	-	266,988	-
Total assets	568,653	4,116	18	532	10,171	1,253,693	221,801	2,058,984	

* This is arrived at after deducting the individual allowance from gross impaired loans.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk (cont'd.)

Bank (cont'd.) 31 December 2014	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
Liabilities and equity									
Deposits and placements from a licensed bank	266,347	121,309	-	-	-	4,735	-	392,391	3.32
Derivative liabilities	-	-	-	-	-	-	23,045	23,045	-
Other liabilities	-	-	-	-	-	1,115,962	-	1,115,962	-
Other non-interest sensitive balances	-	-	-	-	-	2,742	-	2,742	-
Total liabilities	266,347	121,309	-	-	-	1,123,439	23,045	1,534,140	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	474,728	-	474,728	-
Total equity	-	-	-	-	-	524,844	-	524,844	
Total liabilities and equity	266,347	121,309	-	-	-	1,648,283	23,045	2,058,984	
On-balance sheet interest sensitivity gap	302,306	(117,193)	18	532	10,171	(394,590)	198,756	-	
Total interest sensitivity gap	302,306	(117,193)	18	532	10,171	(394,590)	198,756	-	
Cumulative interest rate sensitivity gap	302,306	185,113	185,131	185,663	195,834	(198,756)	-		

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk (cont'd.)

Bank 31 December 2013	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
Assets									
Cash and short-term funds	138,764	-	-	-	-	171,700	-	310,464	2.91
Deposits and placements with financial institutions	-	-	-	-	-	27,173	-	27,173	-
Financial assets at FVTPL	-	-	-	-	-	-	86,573	86,573	-
Financial investments AFS	-	-	-	-	-	37,630	-	37,630	-
Financial investments HTM	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	364,701	-	3	849	10,025	8,546	-	384,124	6.55
- impaired*	-	-	-	-	-	748	-	748	-
Other assets	-	-	-	-	-	392,507	-	392,507	-
Other non-interest sensitive balances	-	-	-	-	-	276,941	-	276,941	-
Total assets	503,465	-	3	849	10,025	915,278	86,573	1,516,193	

* This is arrived at after deducting the individual allowance from gross impaired loans.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(4) Interest rate risk (cont'd.)

Bank (cont'd.) 31 December 2013	Up to 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 12 Months RM'000	1 - 5 Years RM'000	Over 5 Years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective Interest Rate %
Liabilities and equity									
Deposits and placements from a licensed bank	-	110,265	-	-	-	887	-	111,152	3.01
Derivative liabilities	-	-	-	-	-	-	9,552	9,552	-
Other liabilities	-	-	-	-	-	751,823	-	751,823	-
Other non-interest sensitive balances	-	-	-	-	-	723	-	723	-
Total liabilities	-	110,265	-	-	-	753,433	9,552	873,250	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	592,827	-	592,827	-
Total equity	-	-	-	-	-	642,943	-	642,943	
Total liabilities and equity	-	110,265	-	-	-	1,396,376	9,552	1,516,193	
On-balance sheet interest sensitivity gap	503,465	(110,265)	3	849	10,025	(481,098)	77,021	-	
Total interest sensitivity gap	503,465	(110,265)	3	849	10,025	(481,098)	77,021	-	
Cumulative interest rate sensitivity gap	503,465	393,200	393,203	394,052	404,077	(77,021)	-	-	

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(5) Sensitivity analysis for interest rate risk

The table below shows the sensitivity of the Group's and the Bank's profit after tax to an up and down 100 basis points parallel rate shock.

Impact to profit or loss is measured using Earnings-at-Risk ("EaR") methodology which is simulated based on a set of standardised rate shocks on the interest rate gap profile derived from the financial position of the Group and of the Bank. The interest rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking into consideration the earlier of repricing or remaining maturity.

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shocks to the yield curve to model the impact on marked-to-market of financial investments available-for-sale. As at the reporting date, there are no impact to revaluation reserve.

	Impact to Profit or Loss	
	2014	2013
	RM'000	RM'000
Group		
+ 100 basis points (upwards)	(1,530)	(3,891)
- 100 basis points (downwards)	1,530	3,891
	<hr/>	<hr/>
Bank		
+ 100 basis points (upwards)	(1,530)	(3,842)
- 100 basis points (downwards)	1,530	3,842
	<hr/>	<hr/>

(6) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of foreign exchange assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The table below analyses the net foreign exchange positions of the Group and of the Bank at the reporting date by major currencies, which are mainly in Philippines Peso, Singapore Dollar, Hong Kong Dollar and United States Dollar. The "others" currencies include Australian Dollar and Saudi Arabian Riyal.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(6) Foreign exchange risk (cont'd.)

Group	Malaysian Ringgit RM'000	Philippines Peso RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
31 December 2014							
Assets							
Cash and short-term funds	472,657	4,703	26,263	2,057	48,285	975	554,940
Deposits and placements with financial institutions	34,203	-	-	-	-	-	34,203
Financial investments portfolio	315,655	-	-	-	-	15,353	331,008
Loans and advances	234,716	-	-	-	-	3,353	238,069
Derivative assets	14,754	-	-	-	-	-	14,754
Other assets	639,980	330	1,815	8,655	8,309	2,508	661,597
Tax recoverable	2,007	-	-	-	-	-	2,007
Statutory deposits with Bank Negara Malaysia	105	-	-	-	-	-	105
Investment in a joint venture	-	-	-	-	-	10,770	10,770
Property, plant and equipment	19,742	-	-	-	-	-	19,742
Intangible assets	15,785	-	-	-	-	-	15,785
Deferred tax assets	18,339	-	-	-	-	-	18,339
Total assets	1,767,943	5,033	28,078	10,712	56,594	32,959	1,901,319
Liabilities							
Deposits and placements from a licensed bank	356,006	4	4,000	6,810	25,571	-	392,391
Derivative liabilities	23,045	-	-	-	-	-	23,045
Other liabilities	936,590	-	-	-	8,232	-	944,822
Provision for taxation and zakat	2,768	-	-	-	-	-	2,768
Total liabilities	1,318,409	4	4,000	6,810	33,803	-	1,363,026
Net position	449,534	5,029	24,078	3,902	22,791	32,959	538,293

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(6) Foreign exchange risk (cont'd.)

Group	Malaysian Ringgit RM'000	Philippines Peso RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
31 December 2013							
Assets							
Cash and short-term funds	293,179	4,861	7,527	1,935	36,476	365	344,343
Deposits and placements with financial institutions	28,470	-	-	-	-	-	28,470
Financial investments portfolio	120,998	-	150	343	141	2,604	124,236
Loans and advances	381,720	-	-	-	-	3,152	384,872
Other assets	394,514	-	-	-	333	-	394,847
Tax recoverable	11,906	-	-	-	-	-	11,906
Statutory deposits with Bank Negara Malaysia	105	-	-	-	-	-	105
Investment in a joint venture	-	-	-	-	-	10,549	10,549
Property, plant and equipment	20,659	-	-	-	-	-	20,659
Intangible assets	9,589	-	-	-	-	-	9,589
Deferred tax assets	22,938	-	-	-	-	-	22,938
Total assets	1,284,078	4,861	7,677	2,278	36,950	16,670	1,352,514
Liabilities							
Deposits and placements from a licensed bank	111,152	-	-	-	-	-	111,152
Derivative liabilities	9,552	-	-	-	-	-	9,552
Other liabilities	568,479	-	3,902	6,369	-	-	578,750
Provision for taxation and zakat	723	-	-	-	-	-	723
Total liabilities	689,906	-	3,902	6,369	-	-	700,177
Net position	594,172	4,861	3,775	(4,091)	36,950	16,670	652,337

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(6) Foreign exchange risk (cont'd.)

Bank	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
31 December 2014						
Assets						
Cash and short-term funds	450,541	26,263	68	48,285	975	526,132
Deposits and placements with financial institutions	24,162	-	-	-	-	24,162
Financial investments portfolio	315,655	-	-	-	15,353	331,008
Loans and advances	234,716	-	-	-	3,353	238,069
Derivative assets	14,754	-	-	-	-	14,754
Other assets	636,253	1,815	8,655	8,309	2,839	657,871
Statutory deposits with Bank Negara Malaysia	105	-	-	-	-	105
Investment in subsidiaries	203,259	-	-	-	-	203,259
Investment in a joint venture	-	-	-	-	9,878	9,878
Property, plant and equipment	19,622	-	-	-	-	19,622
Intangible assets	15,785	-	-	-	-	15,785
Deferred tax assets	18,339	-	-	-	-	18,339
Total assets	1,933,191	28,078	8,723	56,594	32,398	2,058,984
Liabilities						
Deposits and placements from a licensed bank	356,010	4,000	6,810	25,571	-	392,391
Derivative liabilities	23,045	-	-	-	-	23,045
Other liabilities	1,107,730	-	-	8,232	-	1,115,962
Provision for taxation and zakat	2,742	-	-	-	-	2,742
Total liabilities	1,489,527	4,000	6,810	33,803	-	1,534,140
Net position	443,664	24,078	1,913	22,791	32,398	524,844

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(6) Foreign exchange risk (cont'd.)

Bank	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Others RM'000	Total RM'000
31 December 2013						
Assets						
Cash and short-term funds	266,032	7,527	64	36,476	365	310,464
Deposits and placements with financial institutions	27,173	-	-	-	-	27,173
Financial investments portfolio	120,998	150	343	141	2,604	124,236
Loans and advances	381,720	-	-	-	3,152	384,872
Other assets	392,174	-	-	333	-	392,507
Tax recoverable	10,630	-	-	-	-	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	20,532	-	-	-	-	20,532
Intangible assets	9,589	-	-	-	-	9,589
Deferred tax assets	22,938	-	-	-	-	22,938
Total assets	1,455,160	7,677	407	36,950	15,999	1,516,193
Liabilities						
Deposits and placements from a licensed bank	100,881	3,902	6,369	-	-	111,152
Derivative liabilities	9,552	-	-	-	-	9,552
Other liabilities	751,823	-	-	-	-	751,823
Provision for taxation and zakat	723	-	-	-	-	723
Total liabilities	862,979	3,902	6,369	-	-	873,250
Net position	592,181	3,775	(5,962)	36,950	15,999	642,943

MAYBANK INVESTMENT BANK BERHAD**(15938-H)****(Incorporated in Malaysia)****36. Financial risk management objectives and policies (cont'd.)****(d) Market risk management (cont'd.)****(7) Sensitivity analysis for foreign exchange risk**

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group and of the Bank and the foreign exchange positions. Considering that other risk variables remain constant, the foreign exchange revaluation sensitivity for the Group and the Bank on their unhedged position are as follows:

	Impact to Profit or Loss		Impact to Equity	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Group				
+ 1% appreciation against MYR	812	508	-	67
- 1% depreciation against MYR	(812)	(508)	-	(67)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Impact to Profit or Loss		Impact to Equity	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Bank				
+ 1% appreciation against MYR	812	508	-	-
- 1% depreciation against MYR	(812)	(508)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Group and the Bank may be subject to additional translation gain/(loss) if foreign currencies appreciated/depreciated against MYR and vice versa.

(8) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Bank's financial instruments will fluctuate because of changes in market prices (other than interest or foreign exchange rates).

The Group and the Bank are exposed to equity price risk arising from its market making activities in derivative financial instruments and its investment in quoted equity instruments. These instruments are classified as financial assets at fair value through profit or loss or financial investments available-for-sale.

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(9) Sensitivity analysis for equity price risk

The impact to profit or loss analyses the impact on financial assets at fair value through profit or loss and derivative financial instruments, while the impact to equity analyses the impact on financial investments available-for-sale.

The following table summarises the Group's and the Bank's sensitivity to a 5% change in FTSE Bursa Malaysia KLCI Index ("FBMKLCI"), Hang Seng Index ("HSI"), NASDAQ Composite Index ("NASDAQ"), Straits Times Index ("STI"), Australian Stock Exchange Index ("ASX") and Philippines Stock Exchange Index ("PSE") as at the reporting date.

Group	Impact to Profit or Loss		Impact to Equity	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
FBMKLCI				
+ 5% increase in index	366	(74)	-	-
- 5% decrease in index	(198)	(316)	-	-
HSI				
+ 5% increase in index	-	11	-	-
- 5% decrease in index	-	(11)	-	-
NASDAQ				
+ 5% increase in index	-	(2)	-	-
- 5% decrease in index	-	2	-	-
STI				
+ 5% increase in index	-	7	-	-
- 5% decrease in index	-	(7)	-	-
ASX				
+ 5% increase in index	(380)	(4)	-	-
- 5% decrease in index	(25)	-	-	-

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36. Financial risk management objectives and policies (cont'd.)

(d) Market risk management (cont'd.)

(9) Sensitivity analysis for equity price risk (cont'd.)

Bank	Impact to Profit or Loss		Impact to Equity	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
FBMKLCI				
+ 5% increase in index	366	(74)	-	-
- 5% decrease in index	(198)	(316)	-	-
HSI				
+ 5% increase in index	-	11	-	-
- 5% decrease in index	-	(11)	-	-
NASDAQ				
+ 5% increase in index	-	(2)	-	-
- 5% decrease in index	-	2	-	-
STI				
+ 5% increase in index	-	7	-	-
- 5% decrease in index	-	(7)	-	-
ASX				
+ 5% increase in index	(380)	(4)	-	-
- 5% decrease in index	(25)	-	-	-

(e) Liquidity risk management

(1) Liquidity risk management overview

Liquidity is the ability of the Group and of the Bank to fund increases in assets and meet obligations as they fall due, without incurring unacceptable losses.

Generally, there are two types of liquidity risk which are funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group and the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow needs without affecting either daily operations or the financial condition of the Group and of the Bank. Market liquidity risk is the risk that the Group and the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(1) Liquidity risk management overview (cont'd.)

The Group and the Bank have taken BNM's Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure. The Group and the Bank also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Group and of the Bank are monitored regularly against the established policies, procedures and limits.

Sources of liquidity

The Group and the Bank have a standby lines with Maybank Group to meet its funding requirements. The Group and the Bank also have in place customer deposits, interbank deposits, medium term funds, debt securities as well as strategic fund raising programmes on a need basis.

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis by maintaining a portfolio of highly liquid financial instruments on its statements of financial position that can be drawn upon when needed. These liquid financial instruments include cash, government bonds and high credit quality private debt securities that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow.

Stress testing and contingency funding plan

The Group and the Bank use stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test result provides an insight of the Group's and the Bank's funding requirements during different level of stress environment and is closely linked to the Group's Contingency Funding Plan ("CFP"), which provides a systematic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

The Group and the Bank performs CFP test regularly to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the readiness of key senior management and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities

The table below analyses assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenures based on remaining contractual maturities. The disclosure is made in accordance with the requirement of revised BNM GP8 "Guidelines on Financial Reporting for Banking Institutions".

Group	Up to 1	> 1 to 3	> 3 to 6	> 6 to 12	> 1 to 3	> 3 to 5	Over 5	No-specific	Total
31 December 2014	Month	Months	Months	Months	Years	Years	Years	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	554,940	-	-	-	-	-	-	-	554,940
Deposits and placements with financial institutions	-	20,087	4,116	-	-	-	-	10,000	34,203
Financial investments portfolio	-	-	-	-	-	-	20,273	310,735	331,008
Loans and advances	209,821	3,453	21	6,637	1,828	5,212	11,097	-	238,069
Derivative assets	-	4,034	-	10,720	-	-	-	-	14,754
Other assets	597,880	-	-	-	-	-	-	63,717	661,597
Tax recoverable	-	-	-	-	-	-	-	2,007	2,007
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in a joint venture	-	-	-	-	-	-	-	10,770	10,770
Property, plant and equipment	-	-	-	-	-	-	-	19,742	19,742
Intangible assets	-	-	-	-	-	-	-	15,785	15,785
Deferred tax assets	-	-	-	-	-	-	-	18,339	18,339
Total assets	1,362,641	27,574	4,137	17,357	1,828	5,212	31,370	451,200	1,901,319

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities (cont'd.)

Group (cont'd.) 31 December 2014	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	392,391	-	-	-	-	-	-	-	392,391
Derivative liabilities	10,828	1,567	5,069	5,514	66	-	-	-	23,045
Other liabilities	566,849	-	-	-	-	-	-	377,973	944,822
Provision for taxation and zakat	-	-	-	-	-	-	-	2,768	2,768
Total liabilities	970,068	1,567	5,069	5,514	66	-	-	380,741	1,363,026
Net liquidity gap	392,573	26,007	(932)	11,843	1,762	5,212	31,370	70,459	538,293

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities (cont'd.)

Group 31 December 2013	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	344,343	-	-	-	-	-	-	-	344,343
Deposits and placements with financial institutions	-	20	-	1,277	-	-	-	27,173	28,470
Financial investments portfolio	-	-	-	-	-	-	54,882	69,354	124,236
Loans and advances	364,431	3,259	12	12	2,118	3,175	10,292	1,573	384,872
Other assets	363,699	4,173	-	-	-	-	-	26,975	394,847
Tax recoverable	-	-	-	-	-	-	-	11,906	11,906
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in a joint venture	-	-	-	-	-	-	-	10,549	10,549
Property, plant and equipment	-	-	-	-	-	-	-	20,659	20,659
Intangible assets	-	-	-	-	-	-	-	9,589	9,589
Deferred tax assets	-	-	-	-	-	-	-	22,938	22,938
Total assets	1,072,473	7,452	12	1,289	2,118	3,175	65,174	200,821	1,352,514

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities (cont'd.)

Group (cont'd.) 31 December 2013	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	-	111,152	-	-	-	-	-	-	111,152
Derivative liabilities	-	-	668	8,352	532	-	-	-	9,552
Other liabilities	374,761	-	-	-	-	-	-	203,989	578,750
Provision for taxation and zakat	-	-	-	-	-	-	-	723	723
Total liabilities	374,761	111,152	668	8,352	532	-	-	204,712	700,177
Net liquidity gap	697,712	(103,700)	(656)	(7,063)	1,586	3,175	65,174	(3,891)	652,337

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank	Up to 1	> 1 to 3	> 3 to 6	> 6 to 12	> 1 to 3	> 3 to 5	Over 5	No-specific	Total
31 December 2014	Month	Months	Months	Months	Years	Years	Years	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	526,132	-	-	-	-	-	-	-	526,132
Deposits and placements with financial institutions	-	20,046	4,116	-	-	-	-	-	24,162
Financial investments portfolio	-	-	-	-	-	-	-	-	331,008
Loans and advances	209,821	3,453	21	6,637	1,828	5,212	20,273	310,735	238,069
Derivative assets	-	4,034	-	10,720	-	-	11,097	-	14,754
Other assets	597,880	-	-	-	-	-	-	59,991	657,871
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in subsidiaries	-	-	-	-	-	-	-	203,259	203,259
Investment in a joint venture	-	-	-	-	-	-	-	9,878	9,878
Property, plant and equipment	-	-	-	-	-	-	-	19,622	19,622
Intangible assets	-	-	-	-	-	-	-	15,785	15,785
Deferred tax assets	-	-	-	-	-	-	-	18,339	18,339
Total assets	1,333,833	27,533	4,137	17,357	1,828	5,212	31,370	637,714	2,058,984

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank (cont'd.) 31 December 2014	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	392,391	-	-	-	-	-	-	-	392,391
Derivative liabilities	10,828	1,567	5,069	5,514	66	-	-	-	23,045
Other liabilities	566,849	-	-	-	-	-	-	549,113	1,115,962
Provision for taxation and zakat	-	-	-	-	-	-	-	2,742	2,742
Total liabilities	970,068	1,567	5,069	5,514	66	-	-	551,855	1,534,140
Net liquidity gap	363,765	25,966	(932)	11,843	1,762	5,212	31,370	85,859	524,844

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank	Up to 1	> 1 to 3	> 3 to 6	> 6 to 12	> 1 to 3	> 3 to 5	Over 5	No-specific	Total
31 December 2013	Month	Months	Months	Months	Years	Years	Years	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	310,464	-	-	-	-	-	-	-	310,464
Deposits and placements with financial institutions	-	-	-	-	-	-	-	27,173	27,173
Financial investments portfolio	-	-	-	-	-	-	54,882	69,354	124,236
Loans and advances	364,431	3,259	12	12	2,118	3,175	10,292	1,573	384,872
Other assets	363,699	2,119	-	-	-	-	-	26,689	392,507
Tax recoverable	-	-	-	-	-	-	-	10,630	10,630
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in subsidiaries	-	-	-	-	-	-	-	203,269	203,269
Investment in associates	-	-	-	-	-	-	-	9,878	9,878
Property, plant and equipment	-	-	-	-	-	-	-	20,532	20,532
Intangible assets	-	-	-	-	-	-	-	9,589	9,589
Deferred tax assets	-	-	-	-	-	-	-	22,938	22,938
Total assets	1,038,594	5,378	12	12	2,118	3,175	65,174	401,730	1,516,193

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(2) Contractual maturity of total assets and liabilities (cont'd.)

Bank (cont'd.) 31 December 2013	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	-	111,152	-	-	-	-	-	-	111,152
Derivative liabilities	-	-	668	8,352	532	-	-	-	9,552
Other liabilities	374,761	-	-	-	-	-	-	377,062	751,823
Provision for taxation and zakat	-	-	-	-	-	-	-	723	723
Total liabilities	374,761	111,152	668	8,352	532	-	-	377,785	873,250
Net liquidity gap	663,833	(105,774)	(656)	(8,340)	1,586	3,175	65,174	23,945	642,943

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under non-derivative assets and liabilities by remaining contractual maturities as at the reporting period. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis.

Group	Up to 1	> 1 to 3	> 3 to 6	> 6 to 12	> 1 to 3	> 3 to 5	Over 5	No-specific	Total
31 December 2014	Month	Months	Months	Months	Years	Years	Years	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	555,216	-	-	-	-	-	-	-	555,216
Deposits and placements with financial institutions	-	20,684	8,269	-	-	-	-	10,000	38,953
Financial investments portfolio	-	-	-	-	-	-	20,273	310,735	331,008
Loans and advances	210,468	4,745	1,960	10,514	17,337	20,721	70,624	-	336,369
Derivative assets	-	5,915	1,834	13,643	-	-	-	-	21,392
Other assets	597,930	6,592	-	-	-	-	-	63,717	668,239
Tax recoverable	-	-	-	-	-	-	-	2,007	2,007
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in a joint venture	-	-	-	-	-	-	-	10,770	10,770
Property, plant and equipment	-	-	-	-	-	-	-	20,095	20,095
Intangible assets	-	-	-	-	-	-	-	15,785	15,785
Deferred tax assets	-	-	-	-	-	-	-	18,339	18,339
Total assets	1,363,614	37,936	12,063	24,157	17,337	20,721	90,897	451,553	2,018,278

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group (cont'd.) 31 December 2014	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	392,391	-	-	-	-	-	-	-	392,391
Derivative liabilities	10,919	1,687	5,069	5,514	66	-	-	-	23,255
Other liabilities	566,849	-	-	-	-	-	-	377,973	944,822
Provision for taxation and zakat	-	-	-	-	-	-	-	2,768	2,768
Total liabilities	970,159	1,687	5,069	5,514	66	-	-	380,741	1,363,236
Net liquidity gap	393,455	36,249	6,994	18,643	17,271	20,721	90,897	70,812	655,042
Commitment and contingencies									
Obligations under underwriting agreements	-	20,000	10,000	-	-	-	-	-	30,000
Revocable commitments to extend credit	753	-	-	-	-	-	-	922,908	923,661
	753	20,000	10,000	-	-	-	-	922,908	953,661

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
31 December 2013									
Assets									
Cash and short-term funds	344,472	-	-	-	-	-	-	-	344,472
Deposits and placements with financial institutions	-	20	-	1,309	-	-	-	27,173	28,502
Financial investments portfolio	-	-	-	-	-	-	54,882	69,354	124,236
Loans and advances	364,596	3,689	721	1,431	5,110	3,094	9,021	1,573	389,235
Other assets	363,699	4,173	-	-	-	-	-	26,975	394,847
Tax recoverable	-	-	-	-	-	-	-	11,906	11,906
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in associates	-	-	-	-	-	-	-	10,549	10,549
Property, plant and equipment	-	-	-	-	-	-	-	20,659	20,659
Intangible assets	-	-	-	-	-	-	-	9,589	9,589
Deferred tax assets	-	-	-	-	-	-	-	22,938	22,938
Total assets	1,072,767	7,882	721	2,740	5,110	3,094	63,903	200,821	1,357,038

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group (cont'd.) 31 December 2013	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	-	111,902	-	-	-	-	-	-	111,902
Derivative liabilities	-	-	668	8,352	532	-	-	-	9,552
Other liabilities	374,761	-	-	-	-	-	-	203,989	578,750
Provision for taxation and zakat	-	-	-	-	-	-	-	723	723
Total liabilities	374,761	111,902	668	8,352	532	-	-	204,712	700,927
Net liquidity gap	698,006	(104,020)	53	(5,612)	4,578	3,094	63,903	(3,891)	656,111
Commitment and contingencies									
Obligations under underwriting agreements	-	-	-	-	30,000	-	-	-	30,000
Revocable commitments to extend credit	708,370	-	-	-	553	-	-	-	708,923
	708,370	-	-	-	30,553	-	-	-	738,923

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 1 Month	> 1 to 3 Months	> 3 to 6 Months	> 6 to 12 Months	> 1 to 3 Years	> 3 to 5 Years	Over 5 Years	No-specific maturity	Total
31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	526,409	-	-	-	-	-	-	-	526,409
Deposits and placements with financial institutions	-	20,643	8,269	-	-	-	-	-	28,912
Financial investments portfolio	-	-	-	-	-	-	20,273	310,735	331,008
Loans and advances	210,468	4,745	1,960	10,514	17,337	20,721	70,624	-	336,369
Derivative assets	-	5,915	1,834	13,643	-	-	-	-	21,392
Other assets	597,930	6,592	-	-	-	-	-	59,991	664,513
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-	-	105	105
Investment in a joint venture	-	-	-	-	-	-	-	203,259	203,259
Property, plant and equipment	-	-	-	-	-	-	-	19,622	19,622
Intangible assets	-	-	-	-	-	-	-	19,976	19,976
Deferred tax assets	-	-	-	-	-	-	-	15,784	15,784
Total assets	1,334,807	37,895	12,063	24,157	17,337	20,721	90,897	629,472	2,167,349

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank (cont'd.) 31 December 2014	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	392,482	119	-	-	-	-	-	-	392,601
Derivative liabilities	10,828	1,567	5,069	5,514	66	-	-	-	23,044
Other liabilities	566,849	-	-	-	-	-	-	549,113	1,115,962
Provision for taxation and zakat	-	-	-	-	-	-	-	2,742	2,742
Total liabilities	970,159	1,686	5,069	5,514	66	-	-	551,855	1,534,349
Net liquidity gap	364,648	36,209	6,994	18,643	17,271	20,721	90,897	77,617	633,000
Commitment and contingencies									
Obligations under underwriting agreements	-	20,000	10,000	-	-	-	-	-	30,000
Revocable commitments to extend credit	753	-	-	-	-	-	-	922,908	923,661
	753	20,000	10,000	-	-	-	-	922,908	953,661

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
31 December 2013									
Assets									
Cash and short-term funds	310,579	-	-	-	-	-	-	-	310,579
Deposits and placements with financial institutions	-	-	-	-	-	-	-	27,173	27,173
Financial investments portfolio	-	-	-	-	-	-	54,882	69,354	124,236
Loans and advances	364,596	3,689	721	1,431	5,110	3,094	9,021	1,573	389,235
Other assets	363,699	2,119	-	-	-	-	-	26,689	392,507
Tax recoverable	-	-	-	-	-	-	-	10,630	10,630
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	105	105
Investment in subsidiaries	-	-	-	-	-	-	-	203,269	203,269
Investment in associates	-	-	-	-	-	-	-	9,878	9,878
Property, plant and equipment	-	-	-	-	-	-	-	20,532	20,532
Intangible assets	-	-	-	-	-	-	-	9,589	9,589
Deferred tax assets	-	-	-	-	-	-	-	22,938	22,938
Total assets	1,038,874	5,808	721	1,431	5,110	3,094	63,903	401,730	1,520,671

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36. Financial risk management objectives and policies (cont'd.)

(e) Liquidity risk management (cont'd.)

(3) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank (cont'd.) 31 December 2013	Up to 1 Month RM'000	> 1 to 3 Months RM'000	> 3 to 6 Months RM'000	> 6 to 12 Months RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	Over 5 Years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities and equity									
Deposits and placements from a licensed bank	-	111,902	-	-	-	-	-	-	111,902
Derivative liabilities	-	-	668	8,352	532	-	-	-	9,552
Other liabilities	374,761	-	-	-	-	-	-	377,062	751,823
Provision for taxation and zakat	-	-	-	-	-	-	-	723	723
Total liabilities	374,761	111,902	668	8,352	532	-	-	377,785	874,000
Net liquidity gap	664,113	(106,094)	53	(6,921)	4,578	3,094	63,903	23,945	646,671
Commitment and contingencies									
Obligations under underwriting agreements	-	-	-	-	30,000	-	-	-	30,000
Revocable commitments to extend credit	708,370	-	-	-	553	-	-	-	708,923
	708,370	-	-	-	30,553	-	-	-	738,923

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36. Financial risk management objectives and policies (cont'd.)

(f) Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Group's and the Bank's operational risk management is premised on the three lines of defence concept. Risk taking units (business and support sectors), as first line of defence, constitute an integral part of the Operational Risk Management framework and are primarily responsible for the management of day-to-day operational risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with Maybank Group's Operational Risk Management framework.

The Operational Risk Management ("ORM") team, as the second line of defence, is responsible for the formulation and implementation of Operational Risk Management framework, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the operational risk management process, which includes performing independent review and periodic validation of the Operational Risk Management framework and process as well as conducting regular review on implementation of operational risk management tools by ORM team and the respective business units.

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37. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Group and Bank					
	Gross amounts of recognised financial assets/liabilities RM'000	Gross amounts offset in the statements of financial position RM'000	Amounts presented in the statements of financial position RM'000	Financial instruments RM'000	Amount not offset in the statements of financial position Financial collateral received/pledged RM'000	Net amount RM'000
31 December 2014						
Derivative assets	14,754	-	14,754	-	-	14,754
Other assets						
- Amount due from brokers and clients	1,373,698	(780,353)	593,345	-	(593,345)	-
	<u>1,388,452</u>	<u>(780,353)</u>	<u>608,099</u>	<u>-</u>	<u>(593,345)</u>	<u>14,754</u>
Derivative liabilities	23,045	-	23,045	-	-	23,045
Other liabilities						
- Amount due to brokers and clients	1,347,202	(780,353)	566,849	-	-	566,849
	<u>1,370,247</u>	<u>(780,353)</u>	<u>589,894</u>	<u>-</u>	<u>-</u>	<u>589,894</u>
31 December 2013						
Other assets						
- Amount due from brokers and clients	884,295	(520,596)	363,699	-	(363,699)	-
Derivative liabilities	9,552	-	9,552	-	-	9,552
Other liabilities						
- Amount due to brokers and clients	895,357	(520,596)	374,761	-	-	374,761
	<u>904,909</u>	<u>(520,596)</u>	<u>384,313</u>	<u>-</u>	<u>-</u>	<u>384,313</u>

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38. Significant events

(a) Liquidation of Baiduri Securities Sdn Bhd ("BSSB")

BSSB was placed under members' voluntary liquidation on 19 October 2010 and had its final meeting on 12 November 2014.

BSSB was previously a stockbroking and investment company and has been dormant since 2000. The liquidation of BSSB was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank.

The dissolution of BSSB did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ended 31 December 2014.

(b) Liquidation of Budaya Tegas Sdn Bhd ("BTSB")

BTSB was placed under members' voluntary liquidation on 16 February 2011 and had its final meeting on 25 November 2014.

BTSB was previously an investment holding company and has been dormant since 2000. The liquidation of BTSB was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank.

The dissolution of BTSB did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ended 31 December 2014.

(c) Liquidation of Aseam Malaysia Nominees Tempatan Sdn Bhd ("AMNT")

AMNT was placed under members' voluntary liquidation on 1 July 2011 and had its final meeting on 25 November 2014.

AMNT was previously providing nominee services and has been dormant since 2006. The liquidation of AMNT was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank.

The dissolution of AMNT did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ended 31 December 2014.

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39. Restatement of comparative information

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms to counterparties and clearing house to qualify for offsetting and is applied retrospectively. The adoption of the amendments resulted in reclassifications in other assets and other liabilities and a summary of the financial impact to the Group and the Bank are as follows:

- (i) Reconciliation of the statements of financial position of the Group and of the Bank as at 31 December 2013 and 1 January 2013

	As previously reported RM'000	Effect of MFRS 132 adoption RM'000	As restated RM'000
Group and Bank			
31 December 2013			
Assets			
Other assets			
- Amount due from brokers and clients	314,586	49,113	363,699
Liabilities			
Other liabilities			
- Amount due to brokers and clients	<u>325,648</u>	<u>49,113</u>	<u>374,761</u>
1 January 2013			
Assets			
Other assets			
- Amount due from brokers and clients	238,647	73,718	312,365
Liabilities			
Other liabilities			
- Amount due to brokers and clients	<u>212,384</u>	<u>73,718</u>	<u>286,102</u>

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39. Restatement of comparative information (cont'd.)

The reclassifications in the statements of financial position of the Group and of the Bank as a result of MFRS 132 adoption above, had consequential effects on the comparative statements of cash flows are summarised as follows:

- (ii) Reconciliation of the statements of cash flows of the Group and of the Bank for the year ended 31 December 2013

	As previously reported RM'000	Effect of MFRS 132 adoption RM'000	As restated RM'000
For the year ended 31 December 2013			
Group			
Cash flows from operating activities			
Change in other assets	(76,958)	24,605	(52,353)
Change in other liabilities	<u>122,516</u>	<u>(24,605)</u>	<u>97,911</u>
Bank			
Cash flows from operating activities			
Change in other assets	(80,971)	24,605	(56,366)
Change in other liabilities	<u>125,891</u>	<u>(24,605)</u>	<u>101,286</u>