

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

<u>Group</u>	Notes	31 March 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and short-term funds	14	434,795	443,078
Deposits and placements with financial institutions	15	266,574	149,046
Financial investments portfolio	16	362,485	379,094
Loans and advances	17	269,711	284,091
Derivative assets	20 (i)	18,504	20,567
Other assets	18	892,256	846,260
Tax recoverable		2,988	7,219
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		13,901	15,410
Property, plant and equipment		20,532	18,341
Intangible assets		16,733	17,045
Deferred tax assets		1,140	10,873
TOTAL ASSETS		2,299,724	2,191,129
LIABILITIES			
Deposits and placements from a licensed bank		459,009	461,116
Derivative liabilities	20 (ii)	41,657	55,345
Other liabilities	19	1,175,857	1,102,136
Provision for taxation and zakat		506	506
TOTAL LIABILITIES		1,677,029	1,619,103
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		572,579	521,910
TOTAL EQUITY		622,695	572,026
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,299,724	2,191,129
COMMITMENTS AND CONTINGENCIES	27	1,755,131	1,785,221

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

<u>Bank</u>	Notes	31 March 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and short-term funds	14	420,085	428,366
Deposits and placements with financial institutions	15	242,053	124,526
Financial investments portfolio	16	362,485	379,094
Loans and advances	17	269,711	284,091
Derivative assets	20 (i)	18,504	20,567
Other assets	18	891,680	844,368
Tax recoverable		1,234	5,557
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		13,996	13,996
Property, plant and equipment		20,517	18,326
Intangible assets		16,733	17,045
Deferred tax assets		1,140	10,873
TOTAL ASSETS		2,461,502	2,350,173
LIABILITIES			
Deposits and placements from a licensed bank		459,009	461,116
Derivative liabilities	20 (ii)	41,657	55,345
Other liabilities	19	1,346,983	1,272,658
Provision for taxation and zakat		506	506
TOTAL LIABILITIES		1,848,155	1,789,625
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		563,231	510,432
TOTAL EQUITY		613,347	560,548
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,461,502	2,350,173
COMMITMENTS AND CONTINGENCIES	27	1,755,131	1,785,221

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

<u>Group</u>	Notes	Quarter Ended		Cumulative 3 Months Ended	
		31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Interest income	21	8,536	6,168	8,536	6,168
Interest expense	22	(4,369)	(1,675)	(4,369)	(1,675)
Net interest income		4,167	4,493	4,167	4,493
Net income from Islamic Banking Scheme operations	29	3,612	5,549	3,612	5,549
Non-interest income	23	128,813	71,168	128,813	71,168
Net income		136,592	81,210	136,592	81,210
Overhead expenses	24	(66,699)	(65,782)	(66,699)	(65,782)
Operating profit		69,893	15,428	69,893	15,428
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	25	(457)	160	(457)	160
Writeback of impairment on derivative assets		802	-	802	-
		70,238	15,588	70,238	15,588
Share of results of a joint venture		(137)	559	(137)	559
Profit before taxation and zakat		70,101	16,147	70,101	16,147
Taxation and zakat		(17,649)	(6,028)	(17,649)	(6,028)
Profit for the period, attributable to equity holder of the Bank		52,452	10,119	52,452	10,119
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		105	20	105	20
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(1,783)	1,091	(1,783)	1,091
Total other comprehensive income for the period, net of tax		(1,783)	1,091	(1,783)	1,091
Total comprehensive income for the period, attributable to equity holder of the Bank		50,669	11,210	50,669	11,210

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

<u>Bank</u>	Notes	Quarter Ended		Cumulative 3 Months Ended	
		31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Interest income	21	8,247	6,019	8,247	6,019
Interest expense	22	(4,369)	(1,675)	(4,369)	(1,675)
Net interest income		3,878	4,344	3,878	4,344
Net income from Islamic Banking Scheme operations	29	3,612	5,549	3,612	5,549
Non-interest income	23	128,267	71,753	128,267	71,753
Net income		135,757	81,646	135,757	81,646
Overhead expenses	24	(65,855)	(65,004)	(65,855)	(65,004)
Operating profit		69,902	16,642	69,902	16,642
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	25	(307)	1,919	(307)	1,919
Writeback of impairment on derivative assets		802	-	802	-
Profit before taxation and zakat		70,397	18,561	70,397	18,561
Taxation and zakat		(17,598)	(4,878)	(17,598)	(4,878)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		52,799	13,683	52,799	13,683

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

<u>Group</u>	←-----Non-distributable----->						Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
At 1 January 2016	50,116	172,669	50,116	3,409	-	1,121	294,595	572,026
Profit for the period	-	-	-	-	-	-	52,452	52,452
Other comprehensive income	-	-	-	-	-	(1,783)	-	(1,783)
Total comprehensive income for the period	-	-	-	-	-	(1,783)	52,452	50,669
Transfer from regulatory reserve	-	-	-	(169)	-	-	169	-
At 31 March 2016	50,116	172,669	50,116	3,240	-	(662)	347,216	622,695
At 1 January 2015	50,116	172,669	50,116	-	(24,677)	997	289,072	538,293
Profit for the period	-	-	-	-	-	-	10,119	10,119
Other comprehensive income	-	-	-	-	-	1,091	-	1,091
Total comprehensive income for the period	-	-	-	-	-	1,091	10,119	11,210
At 31 March 2015	50,116	172,669	50,116	-	(24,677)	2,088	299,191	549,503

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

Bank	<-----Non-distributable----->				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
At 1 January 2016	50,116	172,669	50,116	3,409	284,238	560,548
Profit for the period	-	-	-	-	52,799	52,799
Total comprehensive income for the period	-	-	-	-	52,799	52,799
Transfer from regulatory reserve	-	-	-	(169)	169	-
At 31 March 2016	50,116	172,669	50,116	3,240	337,206	613,347
At 1 January 2015	50,116	172,669	50,116	-	251,943	524,844
Profit for the period	-	-	-	-	13,683	13,683
Total comprehensive income for the period	-	-	-	-	13,683	13,683
At 31 March 2015	50,116	172,669	50,116	-	265,626	538,527

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

	Group		Bank	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Profit before taxation and zakat	70,101	16,147	70,397	18,561
Adjustment for non-operating and non-cash items	459	17,283	309	9,645
Operating profit before working capital changes	<u>70,560</u>	33,430	<u>70,706</u>	28,206
Changes in working capital:				
Net changes in operating assets	(148,818)	289,417	(149,709)	284,994
Net changes in operating liabilities	76,544	(375,160)	77,148	(390,829)
Taxation and zakat paid, net	(3,685)	(10,130)	(3,542)	(9,813)
Net cash used in operating activities	<u>(5,399)</u>	(62,443)	<u>(5,397)</u>	(87,442)
Net cash used in investing activities	<u>(2,884)</u>	(10,804)	<u>(2,884)</u>	12,068
Net decrease in cash and cash equivalents	<u>(8,283)</u>	(73,247)	<u>(8,281)</u>	(75,374)
Cash and cash equivalents at beginning of the period	<u>443,078</u>	554,940	<u>428,366</u>	526,132
Cash and cash equivalents at end of the period	<u>434,795</u>	481,693	<u>420,085</u>	450,758

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

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

1. Basis of Preparation

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

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2015.

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

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2015 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) with effective date of 1 January 2016:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets an Investor and its Associate or Joint Venture	To be announced by MASB
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 118: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2016
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015 were prepared in accordance with MFRS, International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 1965 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2015.

3. Significant Accounting Estimates and Judgements

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

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 2015.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 was not qualified.

5. Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the first quarter ended 31 March 2016.

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

During the first quarter ended 31 March 2016, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

7. Changes in Estimates

There were no material changes in estimates during the first quarter ended 31 March 2016.

8. Changes in Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and the Bank during the first quarter ended 31 March 2016.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the first quarter ended 31 March 2016.

10. Dividends

(i) Dividend Paid

The unaudited condensed interim financial statements do not reflect the final dividend as approval from shareholder have yet been obtained as at 31 March 2016. There was no dividend paid during the first quarter ended 31 March 2016.

(ii) Proposed Dividend

No interim dividend has been recommended during the first quarter ended 31 March 2016.

11. Significant and Subsequent Events

There was no significant and subsequent events during the first quarter ended 31 March 2016.

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12. Performance Review

For the period ended 31 March 2016, the Group recorded a higher operating profit compared to the previous corresponding period mainly due to the increase in corporate advisory fees. Operating profit has surged by 353.0% from RM15.4 million to RM69.9 million.

Non-interest income increased by 81.0% from RM71.2 million to RM128.8 million due to higher fee-based income from investment banking business. However, the net interest income reduced by 7.3% to RM4.2 million and the Islamic Banking income decreased by 34.9% from RM5.5 million. Overall, the net income recorded an increase of 68.2% or RM55.4 million to RM136.6 million.

Overhead expenses increased by 1.4% or RM0.9 million to RM66.7 million from RM65.8 million. This was mainly derived from higher personnel expenses. However, it was partly offset against the decrease in marketing costs.

The Group's profit before taxation and zakat increased by 334.1% or RM54.0 million from RM16.1 million to RM70.1 million. Profit for the year increased by 418.4% or RM42.3 million to RM52.5 million compared to the previous corresponding period.

13. Prospects

The real world Gross Domestic Product ("GDP") growth is forecasted to remain at 3.1% in 2016, underpinned by steady US growth in the midst of struggling growth in Eurozone and Japan, and uneven performances in the large emerging economies. India is maintaining steady growth while China's growth is slowing and Brazil and Russia are in recessions.

Growth is projected to firm up slightly in the Asian NIEs (2016E: 2.3%; 2015: 2.1%) and the ASEAN-5 (2016E: 5.3%; 2015: 4.8%) as monetary and fiscal policy stimulus boost domestic demand. The performance however is uneven across the region with pick up in South Korea, Indonesia, Thailand and Philippines, but reduced moderate growth in Malaysia, Singapore, Hong Kong, Taiwan and Vietnam.

Malaysia's real GDP growth is anticipated to ease to 4.3% (2015: 5.0%) on slower domestic demand from moderating consumer spending and private investment. However, public investment is expected to be sustained on the continuation of existing and rollout of new major infrastructure and investment projects. This is following revisions to the Budget 2016 in response to the fall in crude oil price. There is also the possibility of a 25 basis points cut in the Overnight Policy Rate from the current 3.25% despite higher inflation at 2.7%-3.2% (2015: 2.1%) as Bank Negara Malaysia leans towards supporting growth.

Barring any unforeseen circumstances, the Group expects its financial performance for the financial year ending 31 December 2016 to be satisfactory in this challenging regional environment.

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14. Cash and short-term funds

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
	Cash and bank balances with financial institutions	161,906	160,379	154,996
Deposit placements maturing within one month	272,889	282,699	265,089	274,899
Total	434,795	443,078	420,085	428,366

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM178,935,000 (2015: RM148,263,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

15. Deposits and placements with financial institutions

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
	Licensed bank	266,574	149,046	242,053

16. Financial investments portfolio

		Group and Bank	
		31 March 2016 RM'000	31 December 2015 RM'000
		Financial assets at fair value through profit or loss	(i)
Financial investments available-for-sale	(ii)	39,445	39,445
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		362,485	379,094

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
	At fair value	
Quoted financial investments:		
Shares in Malaysia	284,950	310,599
Shares outside Malaysia	27,970	25,322
	312,920	335,921
Unquoted financial investments:		
Structured product	10,087	3,695
Total financial assets at fair value through profit or loss	323,007	339,616

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial investments:		
Shares and loan stocks in Malaysia	39,445	39,445
Total financial investments available-for-sale	39,445	39,445

(iii) Financial investments held-to-maturity

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
At amortised cost		
Unquoted financial investments:		
Private debt securities in Malaysia	33	33
Total financial investments held-to-maturity	33	33

17. Loans and advances

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Term loans		
- Syndicated term loan	6,447	6,447
Amount due from brokers and clients		
- Margin accounts	247,692	262,082
Staff loans	21,839	21,829
Gross loans and advances	275,978	290,358
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,267)	(6,267)
Net loans and advances	269,711	284,091

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Domestic business enterprises	47,838	47,135
Individuals	226,680	241,548
Foreign entities	1,460	1,675
Gross loans and advances	275,978	290,358

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- Housing loans	11,388	11,252
- Hire purchase receivables	9,729	10,268
- Other fixed rate loans	7,169	6,756
Variable rate		
- BLR/BR-plus	247,692	262,082
Gross loans and advances	275,978	290,358

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Purchase of securities	247,692	262,082
Purchase of transport vehicles	9,729	10,268
Purchase of residential landed property	11,388	11,252
Personal use	722	309
Working capital	6,447	6,447
Gross loans and advances	275,978	290,358

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Maturing within one year	255,167	269,132
One year to three years	1,729	1,671
Three years to five years	7,635	8,211
After five years	11,447	11,344
Gross loans and advances	275,978	290,358

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
At 1 January	6,981	7,001
Recovered/regularised during the period/year	(5)	(20)
Gross impaired loans and advances	6,976	6,981
Less: Individual assessment allowance	(6,267)	(6,267)
Net impaired loans and advances	709	714
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.26%	0.25%

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
	Purchase of transport vehicles	156
Purchase of residential landed property	373	378
Working capital	6,447	6,447
Gross impaired loans and advances	6,976	6,981

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

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
	At 1 January/balance at end of period/year	6,267

18. Other assets

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	747,067	775,422	747,067	775,422
Amount due from ultimate holding company	4,564	10,839	4,564	10,839
Other debtors, deposits and prepayment	155,525	74,334	151,096	68,739
	907,156	860,595	902,727	855,000
Less: Allowance for impairment losses	(14,900)	(14,335)	(11,047)	(10,632)
	892,256	846,260	891,680	844,368

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

19. Other liabilities

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Provisions and accruals	32,660	67,080	32,505	66,896
Amount due to brokers and clients (a)	706,453	705,354	706,454	705,354
Deposits and other creditors	436,744	329,702	608,024	500,408
	1,175,857	1,102,136	1,346,983	1,272,658

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

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20. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	31 March 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Equity swaps				
- Less than one year	124,178	18,504	184,688	20,567

(ii) Derivative liabilities

	Group and Bank			
	31 March 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Equity options				
- Less than one year	324,346	26,166	383,816	29,947
Equity swaps				
- Less than one year	157,770	15,491	103,633	25,398
	482,116	41,657	487,449	55,345

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

	Group and Bank			
	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Equity related derivatives:				
Index futures	959	(116)	959	(116)
Equity options	(542)	(15,456)	(542)	(15,456)
Equity swaps	7,044	-	7,044	-
	7,461	(15,572)	7,461	(15,572)

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21. Interest income

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group</u>				
Loans and advances				
- Interest income other than on impaired loans	5,054	4,536	5,054	4,536
- Interest income on impaired loans	33	28	33	28
Money at call and deposits and placements with financial institutions	3,268	1,539	3,268	1,539
Others	181	65	181	65
Total interest income	8,536	6,168	8,536	6,168

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Bank</u>				
Loans and advances				
- Interest income other than on impaired loans	5,054	4,536	5,054	4,536
- Interest income on impaired loans	33	28	33	28
Money at call and deposits and placements with financial institutions	2,979	1,390	2,979	1,390
Others	181	65	181	65
Total interest income	8,247	6,019	8,247	6,019

22. Interest expense

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group and Bank</u>				
Deposits and placements from a licensed bank	4,369	1,675	4,369	1,675

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23. **Non-interest income**

Group	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Fee and commission income:				
Arranger and upfront fees	4,853	11,169	4,853	11,169
Brokerage income	38,629	40,143	38,629	40,143
Corporate advisory fees	77,226	5,135	77,226	5,135
Placement and related fees	1,873	173	1,873	173
Underwriting commission	541	1,154	541	1,154
Others	1,877	5,069	1,877	5,069
	124,999	62,843	124,999	62,843
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(7,773)	9,409	(7,773)	9,409
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	(9,734)	(916)	(9,734)	(916)
Realised gain from sale of derivative financial instruments, net	10,935	12,962	10,935	12,962
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	7,461	(15,572)	7,461	(15,572)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	4	-	4
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,624	326	1,624	326
	2,513	6,213	2,513	6,213
Other income:				
Foreign exchange (loss)/gain, net	(222)	1,587	(222)	1,587
Gain from disposal of property, plant and equipment	-	224	-	224
Others	1,523	301	1,523	301
	1,301	2,112	1,301	2,112
Total non-interest income	128,813	71,168	128,813	71,168

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23. Non-interest income (Cont'd)

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Bank				
Fee and commission income:				
Arranger and upfront fees	4,853	11,169	4,853	11,169
Brokerage income	38,629	40,143	38,629	40,143
Corporate advisory fees	76,679	5,060	76,679	5,060
Placement and related fees	1,873	173	1,873	173
Underwriting commission	541	1,154	541	1,154
Others	1,877	5,069	1,877	5,069
	124,452	62,768	124,452	62,768
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(7,773)	9,409	(7,773)	9,409
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	(9,734)	(916)	(9,734)	(916)
Realised gain from sale of derivative financial instruments, net	10,935	12,962	10,935	12,962
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	7,461	(15,572)	7,461	(15,572)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	4	-	4
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,624	326	1,624	326
	2,513	6,213	2,513	6,213
Other income:				
Foreign exchange (loss)/gain, net	(222)	2,277	(222)	2,277
Gain from disposal of property, plant and equipment	-	224	-	224
Others	1,524	271	1,524	271
	1,302	2,772	1,302	2,772
Total non-interest income	128,267	71,753	128,267	71,753

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24. Overhead expenses

Group	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	40,778	36,307	40,778	36,307
- Pension costs - defined contribution plan	4,203	4,601	4,203	4,601
- Employees' Share Scheme expenses	1,690	2,178	1,690	2,178
- Other staff related expenses	2,166	1,855	2,166	1,855
	48,837	44,941	48,837	44,941
Establishment costs				
- Depreciation of property, plant and equipment	1,647	1,409	1,647	1,409
- Amortisation of computer software	982	894	982	894
- Rental	2,937	2,868	2,937	2,868
- Repairs and maintenance of property, plant and equipment	3,417	2,470	3,417	2,470
- Information technology expenses	2,269	3,394	2,269	3,394
- Service chargeback	(6,479)	(5,273)	(6,479)	(5,273)
- Others	896	613	896	613
	5,669	6,375	5,669	6,375
Marketing costs				
- Advertisement and publicity	3,438	4,974	3,438	4,974
- Others	983	2,121	983	2,121
	4,421	7,095	4,421	7,095
Administration and general expenses				
- Fee and brokerage	5,859	5,934	5,859	5,934
- Administrative expenses	814	899	814	899
- General expenses	1,099	538	1,099	538
	7,772	7,371	7,772	7,371
Total overhead expenses	66,699	65,782	66,699	65,782

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24. Overhead expenses (Cont'd)

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Bank				
Personnel expenses				
- Salaries, allowances and bonuses	40,778	36,307	40,778	36,307
- Pension costs - defined contribution plan	4,203	4,601	4,203	4,601
- Employees' Share Scheme expenses	1,690	2,178	1,690	2,178
- Other staff related expenses	2,166	1,854	2,166	1,854
	<u>48,837</u>	<u>44,940</u>	<u>48,837</u>	<u>44,940</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,647	1,405	1,647	1,405
- Amortisation of computer software	982	894	982	894
- Rental	2,937	2,868	2,937	2,868
- Repairs and maintenance of property, plant and equipment	3,416	2,469	3,416	2,469
- Information technology expenses	2,269	3,394	2,269	3,394
- Service chargeback	(7,301)	(5,961)	(7,301)	(5,961)
- Others	896	613	896	613
	<u>4,846</u>	<u>5,682</u>	<u>4,846</u>	<u>5,682</u>
Marketing costs				
- Advertisement and publicity	3,438	4,976	3,438	4,976
- Others	1,000	2,123	1,000	2,123
	<u>4,438</u>	<u>7,099</u>	<u>4,438</u>	<u>7,099</u>
Administration and general expenses				
- Fee and brokerage	5,838	5,881	5,838	5,881
- Administrative expenses	797	884	797	884
- General expenses	1,099	518	1,099	518
	<u>7,734</u>	<u>7,283</u>	<u>7,734</u>	<u>7,283</u>
Total overhead expenses	<u>65,855</u>	<u>65,004</u>	<u>65,855</u>	<u>65,004</u>

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

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	108	797	108	797
Allowance for other debtors, net	(565)	(637)	(565)	(637)
Total	(457)	160	(457)	160

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
Bad debts recovered	108	347	108	347
(Allowance for)/writeback of other debtors, net	(415)	1,572	(415)	1,572
Total	(307)	1,919	(307)	1,919

26. Capital adequacy

(l) Capital Adequacy Framework

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

The computation of capital adequacy ratios are based on Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 28 November 2012.

The Group and the Bank adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirements for Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total risk-weighted assets respectively.

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

	Group %	Bank %
<u>At 31 March 2016</u>		
CET1 capital ratio	31.596	29.587
Tier 1 capital ratio	31.596	29.587
Total capital ratio	31.596	29.587
	Group %	Bank %
<u>At 31 December 2015</u>		
CET1 capital ratio	32.439	30.366
Tier 1 capital ratio	32.439	30.366
Total capital ratio	32.439	30.366

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26. Capital adequacy (Cont'd)

(l) Capital Adequacy Framework (Cont'd)

The components of capital of the Group and of the Bank are as follows (Cont'd):

	Group RM'000	Bank RM'000
<u>At 31 March 2016</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	293,933	284,238
CET1 capital before regulatory adjustments	566,834	557,139
Less: Deferred tax assets	(1,140)	(1,140)
Intangible assets	(16,733)	(16,733)
Investment in subsidiaries and joint venture ¹	(10,661)	(42,540)
CET1 capital/Tier 1 capital	538,300	496,726
Tier 2 capital		
Regulatory reserve	3,240	3,240
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,240)	(3,240)
Tier 2 capital	-	-
Total capital	538,300	496,726
<u>At 31 December 2015</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	295,716	284,238
CET1 capital before regulatory adjustments	568,617	557,139
Less: Deferred tax assets	(10,873)	(10,873)
Intangible assets	(17,045)	(17,045)
Investment in subsidiaries and joint venture ¹	(12,001)	(42,371)
CET1 capital/Tier 1 capital/Total capital	528,698	486,850
Tier 2 capital		
Regulatory reserve	3,409	3,409
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,409)	(3,409)
Tier 2 capital	-	-
Total capital	528,698	486,850

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

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26. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
31 March 2016				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	258,930	258,930	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	614,995	614,995	161,794	12,944
Corporates	25,383	25,383	25,383	2,031
Regulatory retail	107,459	107,459	102,045	8,164
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	231,235	231,235	192,728	15,418
Total on-balance sheet exposures	1,277,447	1,277,447	541,118	43,290
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,086,410	1,086,410	259	21
Total off-balance sheet exposures	1,086,410	1,086,410	259	21
Total on and off-balance sheet exposures	2,363,857	2,363,857	541,377	43,311
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	501	40
Equity position risk	-	-	27,702	2,216
Foreign currency risk	-	-	95,236	7,619
Options risk	-	-	142,524	11,401
Total	-	-	265,963	21,276
(iii) <u>Operational Risk</u>	-	-	896,376	71,710
Total RWA and capital requirements	2,363,857	2,363,857	1,703,716	136,297

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26. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross exposures	Net Exposures	Risk-weighted assets	Capital requirements
31 December 2015	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	274,099	274,099	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	464,045	464,045	93,312	7,465
Corporates	56,121	38,233	35,800	2,864
Regulatory retail	243,083	151,848	144,894	11,592
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	317,983	317,983	119,611	9,569
Total on-balance sheet exposures	1,394,776	1,285,653	452,785	36,223
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,041,196	1,041,196	421	34
Total off-balance sheet exposures	1,041,196	1,041,196	421	34
Total on and off-balance sheet exposures	2,435,972	2,326,849	453,206	36,257
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	503	40
Equity position risk	-	-	20,113	1,609
Foreign currency risk	-	-	96,122	7,690
Options risk	-	-	167,083	13,366
Total	-	-	283,821	22,705
(iii) <u>Operational Risk</u>				
	-	-	892,802	71,424
Total RWA and capital requirements	2,435,972	2,326,849	1,629,829	130,386

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26. Capital adequacy (Cont'd)

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

<u>Bank</u>	Gross exposures	Net Exposures	Risk-weighted assets	Capital requirements
31 March 2016 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	258,930	258,930	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	575,767	575,767	153,949	12,316
Corporates	25,383	25,383	25,383	2,031
Regulatory retail	107,459	107,459	102,045	8,164
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	230,643	230,643	192,138	15,371
Total on-balance sheet exposures	1,237,627	1,237,627	532,683	42,615
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,086,410	1,086,410	259	21
Total off-balance sheet exposures	1,086,410	1,086,410	259	21
Total on and off-balance sheet exposures	2,324,037	2,324,037	532,942	42,636
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	501	40
Equity position risk	-	-	27,702	2,216
Foreign currency risk	-	-	89,594	7,168
Options risk	-	-	142,524	11,402
Total	-	-	260,321	20,826
(iii) <u>Operational Risk</u>				
	-	-	885,612	70,849
Total RWA and capital requirements	2,324,037	2,324,037	1,678,875	134,311

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26. Capital adequacy (Cont'd)

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

<u>Bank</u>	Gross exposures	Net Exposures	Risk-weighted assets	Capital requirements
31 December 2015	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	274,099	274,099	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	424,816	424,816	85,467	6,837
Corporates	56,121	38,233	35,800	2,864
Regulatory retail	243,083	151,848	144,894	11,592
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	316,077	316,077	117,707	9,417
Total on-balance sheet exposures	1,353,641	1,244,518	443,036	35,443
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,041,196	1,041,196	421	34
Total off-balance sheet exposures	1,041,196	1,041,196	421	34
Total on and off-balance sheet exposures	2,394,837	2,285,714	443,457	35,477
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	503	40
Equity position risk	-	-	20,113	1,609
Foreign currency risk	-	-	90,041	7,203
Options risk	-	-	167,083	13,367
Total	-	-	277,740	22,219
(iii) <u>Operational Risk</u>				
	-	-	882,088	70,567
Total RWA and capital requirements	2,394,837	2,285,714	1,603,285	128,263

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27. Commitments and contingencies

Group and Bank	As at 31 March 2016			As at 31 December 2015		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
<u>Credit-related</u>						
Obligations under underwriting agreements	62,427	31,214	6,243	71,888	35,944	7,189
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,085,892	-	-	1,040,355	-	-
- Maturity exceeding one year	518	259	259	841	421	421
	1,148,837	31,473	6,502	1,113,084	36,365	7,610
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	606,294	-	-	672,137	-	-
Total commitments and contingencies	1,755,131	31,473	6,502	1,785,221	36,365	7,610

* The credit equivalent amount and the risk weighted amount are derived at using the credit evaluation conversion factors and risk weights respectively as specified by BNM for regulatory capital adequacy purposes.

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.

On 4 September 2015, the trial of the matter concluded. On 17 February 2016 and 24 February 2016, parties attended Court for oral submissions. The Court has adjourned the case for decision/clarification to a date to be informed by the Court in due course.

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

Case 2

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

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (Cont'd)

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. 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 at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 2008, both with interest thereon, together with costs of RM120,000.

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 at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 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"). After several adjournments at the request of the Borrower's solicitors, the Review Application was heard on 3 December 2015 where the Federal Court dismissed the Review Application with costs of RM20,000 to be paid by the directors of the Borrower.

On 3 February 2016, the Borrower and the guarantor filed a motion to the Court of Appeal for the Court of Appeal to review its own decision dated 27 September 2013 ("Court of Appeal Review Application"). The hearing is now fixed on 16 June 2016.

Case 3

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

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

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

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 3 (Cont'd)

The Banks filed an application for summary judgement against the Defendants and an application to strike out the Defendants' counterclaim. The Defendants had on 19 August 2015 filed an injunction application to restrain the Trustee from proceeding with foreclosure proceedings and the Bank from enforcing the Put Option Judgement pending disposal of the counterclaim action against the Banks and the Trustee.

The Banks opposed the injunction application and on 3 September 2015, the court dismissed the injunction application with costs ("High Court Order"). The Defendants appealed to the Court of Appeal against the High Court Order ("Appeal") and in the interim applied to the Court of Appeal for an interim injunction pending disposal of the Appeal. On 8 September 2015, the Court of Appeal dismissed the motion for interim injunction with costs.

On 5 October 2015, the High Court allowed the Banks' application for summary judgement and application to strike out the counterclaim with costs. Accordingly, the Defendants' counterclaim against the Banks have been struck out ("Striking Out Order") and judgement has been entered against the Defendants for the balance purchase price under the SPA ("Summary Judgement").

The Defendant's applied for stay of execution of the Summary Judgement to the Court of Appeal ("Court of Appeal Stay Applications"). On 28 March 2016, the Court of Appeal dismissed the 1st Defendant's Court of Appeal Stay Application with costs. The Court of Appeal further struck out the 2nd Defendant's Court of Appeal Stay Application with liberty to file afresh in view of the Receiving Order obtained by the 2nd Defendant before the Shah Alam bankruptcy court. The Banks are challenging the Receiving Order and executing the Summary Judgement on the 1st Defendant. In the meantime, the Appeals have been fixed for hearing on 23 August 2016.

28. Segment information

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

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

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

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

(i) Pillar 1 - Investment banking and advisory

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

(ii) Pillar 2 - Equities

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

(iii) Others

This segment includes investment holding, nominee and custodian services.

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28. Segment information (Cont'd)

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

Group	Pillar 1	Pillar 2	Others	Total
31 March 2016	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	668	3,499	-	4,167
Net income from Islamic Banking Scheme operations	2,751	861	-	3,612
Non-interest income	76,889	54,233	(2,309)	128,813
Total revenue	80,308	58,593	(2,309)	136,592
Results				
Segment results	80,308	58,593	(2,309)	136,592
Overhead expenses	(15,558)	(29,450)	(21,691)	(66,699)
Allowance for impairment on loans and advances and other debtors, net	(150)	(307)	-	(457)
Writeback of impairment on derivative assets	-	802	-	802
Share of results of a joint venture	-	-	(137)	(137)
Profit before taxation	64,600	29,638	(24,137)	70,101
Taxation and zakat				(17,649)
Profit for the period				52,452
Other segment information				
Depreciation	111	514	1,022	1,647
Amortisation	35	593	354	982

Group	Pillar 1	Pillar 2	Others	Total
31 March 2015	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	76	4,655	(238)	4,493
Net income from Islamic Banking Scheme operations	4,438	1,111	-	5,549
Non-interest income	21,307	47,924	1,937	71,168
Total revenue	25,821	53,690	1,699	81,210
Results				
Segment results	25,821	53,690	1,699	81,210
Overhead expenses	(12,464)	(30,964)	(22,354)	(65,782)
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	522	612	(974)	160
Share of results of a joint venture	-	-	559	559
Profit before taxation	13,879	23,338	(21,070)	16,147
Taxation and zakat				(6,028)
Profit for the period				10,119
Other segment information				
Depreciation	103	416	890	1,409
Amortisation	-	399	495	894

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 31 March 2016

	Notes	Group and Bank	
		31 March 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and short-term funds	(a)	1,530	2,365
Other assets	(b)	187,310	187,608
Total assets		188,840	189,973
LIABILITIES			
Other liabilities	(c)	2,256	2,575
Provision for taxation and zakat	(d)	14,853	14,853
Total liabilities		17,109	17,428
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		166,731	167,545
		171,731	172,545
Total liabilities and Islamic banking fund		188,840	189,973

**Unaudited Statements of Comprehensive Income
For the First Quarter Ended 31 March 2016**

Group and Bank	Notes	Quarter Ended		Cumulative 3 Months Ended	
		31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Income derived from investment of Islamic banking capital funds	(e)	3,612	5,549	3,612	5,549
Income attributable to the Group and the Bank		3,612	5,549	3,612	5,549
Overhead expenses	(f)	(4,426)	(3,811)	(4,426)	(3,811)
Profit before taxation and zakat		(814)	1,738	(814)	1,738
Taxation		-	(435)	-	(435)
Zakat		-	(63)	-	(63)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		(814)	1,240	(814)	1,240

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

Unaudited Statements of Changes in Equity
For the First Quarter Ended 31 March 2016

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2016	5,000	167,545	172,545
Profit for the period	-	(814)	(814)
Total comprehensive income for the period	-	(814)	(814)
At 31 March 2016	5,000	166,731	171,731
At 1 January 2015	5,000	157,559	162,559
Profit for the period	-	1,240	1,240
Total comprehensive income for the period	-	1,240	1,240
At 31 March 2015	5,000	158,799	163,799

Unaudited Statements of Cash Flows
For the First Quarter Ended 31 March 2016

	Group and Bank	
	31 March 2016 RM'000	31 March 2015 RM'000
Cash flows from operating activities		
(Loss)/profit before taxation and zakat, representing operating profit before working capital changes	(814)	1,738
Decrease in financial investments portfolio	-	20,240
Decrease/(increase) in receivables	298	(18,430)
(Decrease)/increase in payables	(319)	57
Net cash (used in)/generated from operating activities	(835)	3,605
Net (decrease)/increase in cash and cash equivalents	(835)	3,605
Cash and cash equivalents at beginning of the period	2,365	2,151
Cash and cash equivalents at end of the period	1,530	5,756

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

(a) Cash and short-term funds	Group and Bank	
	31 March 2016	31 December 2015
Cash and bank balances with financial institutions	<u>1,530</u>	<u>2,365</u>
(b) Other assets	Group and Bank	
	31 March 2016	31 December 2015
	RM'000	RM'000
Debtors and prepayments	<u>187,310</u>	<u>187,608</u>
(c) Other liabilities	Group and Bank	
	31 March 2016	31 December 2015
	RM'000	RM'000
Provisions and accruals	<u>2,256</u>	<u>2,575</u>
(d) Provision for taxation and zakat	Group and Bank	
	31 March 2016	31 December 2015
	RM'000	RM'000
Taxation	14,347	14,347
Zakat	<u>506</u>	<u>506</u>
	<u>14,853</u>	<u>14,853</u>

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

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Gross income from:				
- Financial assets at fair value through profit or loss	-	47	-	47
- Deposits and placements with financial institutions	-	144	-	144
Realised gain from sale of financial assets at fair value through profit or loss, net	-	683	-	683
Unrealised loss on revaluation of financial assets at fair value through profit or loss	-	(198)	-	(198)
Fee and commission income from:				
- Arranger and upfront fees	1,289	3,267	1,289	3,267
- Brokerage income	860	1,111	860	1,111
- Corporate advisory fees	100	-	100	-
- Underwriting commission	625	-	625	-
- Others	1,009	495	1,009	495
Foreign exchange loss, net	<u>(271)</u>	<u>-</u>	<u>(271)</u>	<u>-</u>
Total	<u>3,612</u>	<u>5,549</u>	<u>3,612</u>	<u>5,549</u>

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

(f) Overhead expenses

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group and Bank</u>				
Personnel expenses	3,970	3,259	3,970	3,259
Establishment costs				
- Service chargeback	(954)	(443)	(954)	(443)
- Other establishment costs	985	634	985	634
Marketing expenses	260	122	260	122
Administration and general expenses	165	239	165	239
Total	4,426	3,811	4,426	3,811

(g) Capital adequacy

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

	Group and Bank %
<u>At 31 March 2016</u>	
CET1 capital ratio	89.837
Tier 1 capital ratio	89.837
Total capital ratio	<u>89.837</u>
<u>At 31 December 2015</u>	
CET1 capital ratio	86.136
Tier 1 capital ratio	86.136
Total capital ratio	<u>86.136</u>

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

	Group and Bank RM'000
<u>At 31 March 2016</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	166,731
CET1 capital/Tier 1 capital/Total capital	<u>171,731</u>
<u>At 31 December 2015</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	167,545
CET1 capital/Tier 1 capital/Total capital	<u>172,545</u>

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

(g) Capital adequacy (Cont'd)

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

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
31 March 2016 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	1,527	1,527	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	15	15	2	-
Other assets	431,410	431,410	120,329	9,626
Total on-balance sheet exposures	432,952	432,952	120,331	9,626
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	432,952	432,952	120,331	9,626
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	2	-
Total	-	-	2	-
(iii) <u>Operational Risk</u>				
	-	-	70,825	5,666
Total RWA and capital requirements	432,952	432,952	191,158	15,292

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
31 December 2015 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	2,362	2,362	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	12	12	2	-
Other assets	427,256	427,256	120,329	9,626
Total on-balance sheet exposures	429,630	429,630	120,331	9,626
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	429,630	429,630	120,331	9,626
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
(ii) <u>Operational Risk</u>				
	-	-	79,984	6,399
Total RWA and capital requirements	429,630	429,630	200,318	16,025

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

(h) Fair values of financial assets and liabilities

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

(i) Allocation of income

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

(j) Shariah committee

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

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

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

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

The Group and the Bank presently have seven Shariah members.

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30. Fair value of financial instruments

Fair value hierarchy

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

(a) Level 1: Quoted prices

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

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

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

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

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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 March 2016 and 31 December 2015.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 31 March 2016				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	312,920	10,087	-	323,007
Derivative assets	-	18,504	-	18,504
	<u>312,920</u>	<u>28,591</u>	<u>-</u>	<u>341,511</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>10,912</u>	<u>30,745</u>	<u>-</u>	<u>41,657</u>
As at 31 December 2015				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	335,921	3,695	-	339,616
Derivative assets	-	20,567	-	20,567
	<u>335,921</u>	<u>24,262</u>	<u>-</u>	<u>360,183</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>24,549</u>	<u>30,796</u>	<u>-</u>	<u>55,345</u>

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

Valuation techniques

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

Financial assets at fair value through profit or loss

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

Derivative financial instruments

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