

Affin Hwang Investment Bank Berhad
(Formerly known as HwangDBS Investment Bank Berhad)
(Incorporated in Malaysia)

Unaudited Statements of Financial Position
as at 30 September 2014

	Note	The Group		The Bank	
		As at	* As at	As at	* As at
		30-09-2014	31-07-2013	30-09-2014	31-07-2013
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		694,287	1,029,178	521,112	1,024,434
Deposits and placements with financial institutions		247,275	-	247,275	-
Financial assets held-for-trading	14	71,035	43,637	63,764	43,637
Financial investments held-to-maturity	14	339,740	370,268	339,740	370,268
Financial investments available-for-sale	14	3,348,367	1,402,745	3,328,604	1,402,745
Loans, advances and financing	15	1,017,640	464,850	1,017,640	464,850
Trade receivables	16	545,121	225,613	473,183	225,613
Other assets	17	70,773	62,406	66,870	62,034
Deferred tax assets		13,372	463	9,849	463
Tax recoverable		12,241	8,282	10,700	8,235
Statutory deposits with Bank Negara Malaysia		136,200	65,750	136,200	65,750
Investment in subsidiaries		-	-	132,120	438
Subordinated loan to a subsidiary		-	-	5,000	-
Amount due from subsidiaries		-	-	173	-
Property and equipment		13,988	5,234	8,928	5,124
Investment properties		-	47,840	-	47,840
Intangible assets		323,561	162,502	314,219	162,502
Total ASSETS		6,833,600	3,888,768	6,675,377	3,883,933
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	18	3,420,216	1,955,817	3,432,600	1,955,817
Deposits and placements of banks and other financial institutions	19	1,186,628	752,716	1,186,628	752,716
Trade payables	20	558,203	179,960	403,414	179,960
Other liabilities	21	239,639	130,585	197,869	128,977
Provision for taxation		-	33	-	-
Total LIABILITIES		5,404,686	3,019,111	5,220,511	3,017,470
Share capital		780,000	500,000	780,000	500,000
Reserves		620,310	369,279	674,866	366,463
		1,400,310	869,279	1,454,866	866,463
Non-controlling interests		28,604	378	-	-
SHAREHOLDERS' EQUITY		1,428,914	869,657	1,454,866	866,463
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,833,600	3,888,768	6,675,377	3,883,933
COMMITMENTS AND CONTINGENCIES	29	4,512,480	3,159,251	4,512,480	3,159,251
CAPITAL ADEQUACY					
Basel III					
CET 1 capital ratio	28	30.350%	30.046%	30.267%	30.020%
Tier 1 capital ratio	28	30.439%	30.055%	30.267%	30.020%
Total capital ratio	28	30.805%	30.291%	30.267%	30.237%
CET 1 capital ratio (net of proposed dividends)	28	30.350%	30.046%	30.267%	30.020%
Tier 1 capital ratio (net of proposed dividends)	28	30.439%	30.055%	30.267%	30.020%
Total capital ratio (net of proposed dividends)	28	30.805%	30.291%	30.267%	30.237%

* The Bank and its subsidiaries changed its financial year end from 31 July to 31 December to be co-terminous with the financial year end of the holding/ultimate holding company, Affin Holdings Berhad.

Affin Hwang Investment Bank Berhad
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Unaudited Income Statements
for the financial period ended 30 September 2014

The Group	Note	Individual Quarter*		Cumulative Quarter*	
		Current Financial Period RM'000 30-09-2014	Preceding Year Corresponding Period RM'000 30-09-2013	Current Financial Period-to-date RM'000 30-09-2014	Preceding Year Corresponding Period-to-date RM'000 30-09-2013
Interest income	22	40,859	34,376	160,617	158,848
Interest expense	23	(24,702)	(21,694)	(98,159)	(100,992)
Net interest income		16,157	12,682	62,458	57,856
Other operating income	24	107,033	28,018	300,074	122,847
Net income		123,190	40,700	362,532	180,703
Other operating expenses	25	(98,437)	(29,404)	(240,107)	(134,547)
Operating profit before loan and financing loss and allowance		24,753	11,296	122,425	46,156
Write-back/(allowances) of losses on loans, advances and financing and receivables	26	705	674	3,674	(360)
Write-back of impairment loss on other assets	27	58	-	58	-
Profit before zakat and taxation		25,516	11,970	126,157	45,796
Zakat		(211)	-	(289)	-
Profit before taxation		25,305	11,970	125,868	45,796
Taxation		(3,498)	(3,128)	(21,237)	(10,871)
Net Profit after zakat and taxation		21,807	8,842	104,631	34,925
Attributable to:					
- Equity holders of the Bank		19,418	8,861	99,217	34,937
- Non-controlling interests		2,389	(19)	5,414	(12)
		21,807	8,842	104,631	34,925
Earnings per share:					
- basic/fully diluted (sen)		3.68	1.77	19.61	6.99

* The Bank and its subsidiaries changed its financial year end from 31 July to 31 December to be co-terminous with the financial year end of the holding/ultimate holding company, Affin Holdings Berhad. Accordingly, the reporting period for the current individual and cumulative quarters represents a 3-months period from 1 July 2014 to 30 September 2014, and a 14-months period from 1 August 2013 to 30 September 2014 respectively. Figures stated in the preceding year corresponding periods are for comparison purpose only.

Affin Hwang Investment Bank Berhad
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Unaudited Statement of Comprehensive Income
for the financial period ended 30 September 2014

The Group	Individual Quarter*		Cumulative Quarter*	
	Current Financial Period 30-09-2014 RM'000	Preceding Year Corresponding Period 30-09-2013 RM'000	Current Financial Period-to-date 30-09-2014 RM'000	Preceding Year Corresponding Period-to-date 30-09-2013 RM'000
Profit after taxation and zakat	21,807	8,842	104,631	34,925
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	(1,226)	248	820	(9,719)
Net gain transferred to income statement on disposal	(946)	1,431	(2,061)	8,110
Share of available-for-sale reserve of an associate	-	-	-	-
Deferred tax on financial investments available-for-sale	510	(420)	298	402
Other comprehensive income for the period, net of tax	(1,662)	1,259	(943)	(1,207)
Total comprehensive income for the period	20,145	10,101	103,688	33,718
Attributable to equity holders of the Bank:				
Total comprehensive income	20,145	10,101	103,688	33,718

* The Bank and its subsidiaries changed its financial year end from 31 July to 31 December to be co-terminous with the financial year end of the holding/ultimate holding company, Affin Holdings Berhad. Accordingly, the reporting period for the current individual and cumulative quarters represents a 3-months period from 1 July 2014 to 30 September 2014, and a 14-months period from 1 August 2013 to 30 September 2014 respectively. Figures stated in the preceding year corresponding periods are for comparison purpose only.

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Unaudited Income Statements
for the financial period ended 30 September 2014

The Bank	Note	Individual Quarter*		Cumulative Quarter*	
		Current Financial Period 30-09-2014 RM'000	Preceding Year Corresponding Period 30-09-2013 RM'000	Current Financial Period-to-date 30-09-2014 RM'000	Preceding Year Corresponding Period-to-date 30-09-2013 RM'000
Interest income	22	39,818	34,359	158,618	158,740
Interest expense	23	(24,732)	(21,694)	(98,228)	(100,992)
Net interest income		15,086	12,665	60,390	57,748
Other operating income	24	50,819	27,385	197,076	120,888
Net income		65,905	40,050	257,466	178,636
Other operating expenses	25	(51,259)	(28,890)	(155,450)	(132,194)
Operating profit before loan and financing loss and allowance		14,646	11,160	102,016	46,442
(Allowances) /write-back of losses on loans, advances and financing and receivables	26	705	674	3,674	(360)
Write-back of impairment loss on other assets	27	58	-	58	-
Profit before zakat and taxation		15,409	11,834	105,748	46,082
Zakat		(127)	-	(134)	-
Profit before taxation		15,282	11,834	105,614	46,082
Taxation		(724)	(3,053)	(16,117)	(10,625)
Net Profit after zakat and taxation		14,558	8,781	89,497	35,457
Attributable to:					
- Equity holders of the Bank		14,558	8,781	89,497	35,457
Earnings per share:					
- basic/fully diluted (sen)		2.76	1.76	17.69	7.09

* The Bank and its subsidiaries changed its financial year end from 31 July to 31 December to co-terminous with the financial year end of the holding/ultimate holding company, Affin Holdings Berhad. Accordingly, the reporting period for the current individual and cumulative quarters represents a 3-months period from 1 July 2014 to 30 September 2014, and a 14-months period from 1 August 2013 to 30 September 2014 respectively. Figures stated in the preceding year corresponding periods are for comparison purpose only.

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Unaudited Statement of Comprehensive Income
for the financial period ended 30 September 2014

The Bank	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-09-2014 RM'000	Preceding Year Corresponding Period 30-09-2013 RM'000	Current Financial Period-to-date 30-09-2014 RM'000	Preceding Year Corresponding Period-to-date 30-09-2013 RM'000
Profit after taxation and zakat	14,558	8,781	89,497	35,457
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	(1,094)	248	870	(9,719)
Net gain transferred to income statement on disposal	(946)	1,431	(2,061)	8,110
Deferred tax on financial investments available-for-sale	510	(420)	297	402
Other comprehensive income for the period, net of tax	(1,530)	1,259	(894)	(1,207)
Total comprehensive income for the period	13,028	10,040	88,603	34,250
Attributable to equity holders of the Bank:				
Total comprehensive income	13,028	10,040	88,603	34,250

* The Bank and its subsidiaries changed its financial year end from 31 July to 31 December to co-terminous with the financial year end of the holding/ultimate holding company, Affin Holdings Berhad. Accordingly, the reporting period for the current individual and cumulative quarters represents a 3-months period from 1 July 2014 to 30 September 2014, and a 14-months period from 1 August 2013 to 30 September 2014 respectively. Figures stated in the preceding year corresponding periods are for comparison purpose only.

Company No: 14389-U

Affin Hwang Investment Bank Berhad
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Unaudited Statement of Changes in Equity
for the financial period ended 30 September 2014

<-----Attributable to equity holders of the Bank ----->										
Issued and fully paid ordinary shares of RM1 each		Non-distributable				Distributable				
Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserve RM'000	Available -for-sale revaluation reserve RM'000	Other reserve RM'000	Retained profits RM'000	Sub-total RM'000	Non- Controlling interests RM'000	Total equity RM'000	
At 1 August 2013	500,000	500,000	-	148,861	3,564	-	216,854	869,279	378	869,657
The Group										
Comprehensive income:										
Net profit for the financial period	-	-	-	-	-	-	99,217	99,217	5,414	104,631
Other comprehensive income, (net of tax)										
Financial investments available-for-sale	-	-	-	-	(929)	-	-	(929)	(14)	(943)
Total comprehensive income	-	-	-	-	(929)	-	99,217	98,288	5,400	103,688
Collective impairment allowance	-	-	-	-	-	3,826	(3,826)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	(67,057)	(67,057)	23,208	(43,849)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(382)	(382)
Issuance of shares	280,000	280,000	219,800	-	-	-	-	499,800	-	499,800
At 30 September 2014	780,000	780,000	219,800	148,861	2,635	3,826	245,188	1,400,310	28,604	1,428,914
At 1 August 2012 (as restated)	500,000	500,000	-	133,839	6,005	-	224,915	864,759	371	865,130
Comprehensive income:										
Net profit for the financial year	-	-	-	-	-	-	29,461	29,461	7	29,468
Other comprehensive income, (net of tax)										
Financial investments available-for-sale	-	-	-	-	(2,441)	-	-	(2,441)	-	(2,441)
Total comprehensive income	-	-	-	-	(2,441)	-	29,461	27,020	7	27,027
Transfer to statutory reserve	-	-	-	15,022	-	-	(15,022)	-	-	-
Dividend paid	-	-	-	-	-	-	(22,500)	(22,500)	-	(22,500)
At 31 July 2013	500,000	500,000	-	148,861	3,564	-	216,854	869,279	378	869,657

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Unaudited Statement of Changes in Equity
for the financial period ended 30 September 2014

	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserve RM'000	Available -for-sale revaluation reserve RM'000	Other reserve RM'000	Retained profits RM'000	Total equity RM'000
The Bank								
At 1 August 2013	500,000	500,000	-	148,861	3,564	-	214,038	866,463
Comprehensive income:								
Net profit for the financial period	-	-	-	-	-	-	89,497	89,497
Other comprehensive income, (net of tax)								
Financial investments available-for-sale	-	-	-	-	(894)	-	-	(894)
Total comprehensive income	-	-	-	-	(894)	-	89,497	88,603
Collective impairment allowance	-	-	-	-	-	3,826	(3,826)	-
Issuance of shares	280,000	280,000	219,800	-	-	-	-	499,800
At 30 September 2014	<u>780,000</u>	<u>780,000</u>	<u>219,800</u>	<u>148,861</u>	<u>2,670</u>	<u>3,826</u>	<u>299,709</u>	<u>1,454,866</u>
At 1 August 2012 (as restated)	500,000	500,000	-	133,839	6,005	-	221,516	861,360
Comprehensive income:								
Net profit for the financial year	-	-	-	-	-	-	30,044	30,044
Other comprehensive income, (net of tax)								
Financial investments available-for-sale	-	-	-	-	(2,441)	-	-	(2,441)
Total comprehensive income	-	-	-	-	(2,441)	-	30,044	27,603
Transfer to statutory reserve	-	-	-	15,022	-	-	(15,022)	-
Dividend paid	-	-	-	-	-	-	(22,500)	(22,500)
At 31 July 2013	<u>500,000</u>	<u>500,000</u>		<u>148,861</u>	<u>3,564</u>		<u>214,038</u>	<u>866,463</u>

Affin Hwang Investment Bank Berhad
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Unaudited Statement of Cash Flows
for the financial period ended 30 September 2014

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
Cash flow from operating activities				
Net profit before tax for the financial period	126,157	38,358	105,748	38,755
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income				
- financial assets held-for trading	(2,856)	-	(2,856)	-
- financial investments available-for-sale	(58,484)	(46,754)	(58,484)	(46,754)
- financial investments held-to-maturity	(23,977)	(24,874)	(23,977)	(24,874)
Dividend income from subsidiary	-	-	(3,000)	(944)
Dividend income from financial instruments	(13,408)	(6,802)	(12,743)	(6,802)
Gain on disposal of property, plant and equipment	(647)	(185)	(638)	(185)
Property and equipment written-off	57	14	57	14
Depreciation of property and equipment	3,137	2,411	2,248	2,365
Depreciation of investment properties	469	143	48	143
Net (amortisation of premiums)/accretion of discounts	(445)	-	(445)	-
Gain arising from sale or redemption of :				
- derivative instruments	(356)	9,368	(356)	9,368
- financial assets held-for-trading	(46,775)	(18,399)	(46,775)	(18,399)
- financial investments available-for-sale	(4,587)	(2,225)	(4,325)	(2,225)
- financial investments held-to-maturity	(3,220)	-	(3,220)	-
Unrealised gain on derivative instruments	(210)	(6,091)	(210)	(6,091)
Unrealised gain on financial assets held-for-trading	431	2,671	444	2,671
(Gain)/loss on disposal of investment properties	(38,674)	-	(38,674)	-
(Gain)/loss on disposal of a subsidiary	398	-	380	-
Gain on remeasurement/disposal of an associate	(4,378)	-	(4,378)	-
(Gain)/loss on disposal of other investments	112	-	-	(318)
Net of collective impairment	(4,434)	965	(4,434)	965
Net of individual impairment	1,231	133	1,231	133
(Write-back)/impairment loss on available for sales securities	(58)	-	(58)	-
Bad debts written off	41	-	41	-
Rental income	(35)	(78)	(35)	(78)
Unrealised foreign exchange (gain)/loss	7,346	(12,159)	7,571	(12,159)
<i>Operating profit before changes in operating assets and liabilities</i>	(63,165)	(63,504)	(86,840)	(64,415)
<i>Decrease/(increase) in operating assets</i>				
Loans, advances and financing	178,650	(94,409)	178,650	(94,409)
Deposits and placements with financial institutions	(802)	-	(802)	-
Statutory deposits with Bank Negara Malaysia	21,736	(9,130)	21,736	(9,130)
Trade receivables	109,460	(46,588)	75,139	(46,588)
Derivative assets	4,446	21,815	3,925	21,815
Other assets	(201)	(28,679)	(83)	(28,670)
Financial assets held-for-trading	47,265	129,970	41,240	129,970
	360,554	(27,021)	319,805	(27,012)
<i>Increase/(decrease) in operating liabilities</i>				
Deposits from customers	(873,541)	(184,109)	415,819	(184,109)
Deposits and placements of banks and other financial institutions	(79,854)	470,267	(1,356,832)	470,267
Trade payables	(157,552)	48,231	(85,925)	48,231
Derivative liabilities	(7,195)	(2,626)	(7,195)	(2,626)
Other liabilities	(4,349)	10,669	(6,940)	10,784
	(1,122,491)	342,432	(1,041,073)	342,547
Cash generated from operating activities	(825,102)	251,907	(808,108)	251,120

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Unaudited Statement of Cash Flows
for the financial period ended 30 September 2014

	The Group		The Bank	
	30-09-2014	31-07-2013	30-09-2014	31-07-2013
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Net taxation paid	(23,437)	(9,102)	(12,557)	(8,794)
Net cash generated from operating activities	(848,539)	242,805	(820,665)	242,326
Cash flow from investing activities				
Proceeds from disposal of property and equipment	910	1,041	840	1,041
Purchase of property and equipment	(1,451)	(2,312)	(552)	(2,274)
Purchase of intangible assets	(418)	-	(4)	-
Rental received	35	78	35	78
Interest received:				
- financial investments held for trading	2,856	-	2,856	-
- financial investments available-for-sale	58,484	49,775	58,484	49,775
- financial investments held-to-maturity	23,977	24,366	23,977	24,366
Net proceeds on disposal/(purchase) of financial investments available-for-sale	210,085	180,495	174,622	180,495
Net proceeds on purchase/(redemption) of financial investments held-to-maturity	188,056	38,554	188,056	38,554
Proceeds from sale of other investments	23	436	-	436
Amount received from Bursa Malaysia Derivatives arising from revamp of its participants structure.	984	-	-	-
Acquisition of subsidiaries, net of cash acquired	27,902	-	(132,116)	-
Acquisition of interest in an associate	(6,892)	-	(6,892)	-
Net cash outflow from disposal of subsidiary	(240)	-	-	-
Cash consideration for merger of businesses	(612,994)	-	(613,140)	-
Acquisition of subsidiary, net of cash acquired - AFFIN Fund	(29,949)	-	-	-
Proceeds from (acquisition)/disposal of equity interests in associate	(10,624)	-	11,270	-
Proceeds from disposal of investment properties	87,523	-	87,523	-
Capital distribution by subsidiary (in liquidation)	-	-	54	2,961
Issuance of shares	499,800	-	499,800	-
Dividend income received from:				
- financial investments available-for-sale	13,408	7,540	12,743	7,504
- subsidiary	-	-	3,000	944
Net cash generated from investing activities	451,475	299,973	310,556	303,880
Cash flow from financing activities				
Subordinated loan to a subsidiary	-	-	(5,000)	-
Dividend paid	-	(22,500)	-	(22,500)
Net cash used in financing activities	-	(22,500)	(5,000)	(22,500)
Net increase in cash and cash equivalents	(397,064)	520,278	(515,109)	523,706
Cash and cash equivalents at 1 August	990,710	470,432	986,685	462,979
Cash and cash equivalents at 30 September	593,646	990,710	471,576	986,685
Analysis of cash and cash equivalents				
Cash and short term funds	694,287	1,029,178	521,112	1,024,434
Amount held on behalf of clients and commissioned dealers representatives	(100,641)	(38,468)	(49,536)	(37,749)
Cash and cash equivalents at 30 September	593,646	990,710	471,576	986,685

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Notes to the financial statement
for the financial period ended 30 September 2014

1. Review of financial performance

The Group recorded a Profit Before Tax ("PBT") of RM125.9 million for the 14 months period ended 30 September 2014 compared to a PBT of RM45.8 million for the previous corresponding period. The higher Group PBT was mainly attributable to profit contributions totalling RM22.8 million from the companies acquired during the financial period as well as the net gains arising from disposals of investment properties of RM38.7 million. In addition, contributions from the Group's merchant banking and stockbroking activities, which included one month's result arising from the business merger with AFFIN Investment Bank Berhad ("AFFIN IB"), also registered an increase in tandem with the improved market sentiments and higher trading activities in the local bourse.

Summarised analysis of the Group PBT for the period under review is as follows:

- Net interest income of RM62.5 million was 8% higher than the net interest income of RM57.9 million recorded in the previous corresponding period primarily due to higher average interest earning assets in the current period under review, in line with mergers of the assets of the investment banking and asset management businesses.
- Other operating income registered an increase from RM122.8 million in the previous corresponding period to RM300.1 million in current period under review. The increase was primarily due to inclusion of unit trust management and incentive fees as well as initial service fee income from the fund and asset management business effective 1 April 2014 following completion of the Proposed Pre-Closing Reorganisation as disclosed in explanatory note 11(e), as well as the inclusion of the income of AFFIN Fund Management Bhd ("AFFIN Fund") and Asian Islamic Investment Management Sdn. Bhd. ("AIIMAN") following completion of the acquisition and/or mergers of the businesses with Affin Hwang Asset Management Berhad ("AH AM"). The increase is also attributable to higher brokerage income and higher net investment gains generated by the stockbroking and investment bank activities of the merged entities. The increase is offset by lower net foreign exchange gains during the current period under review.
- The other operating income is also inclusive of the net gain on disposal of investment properties of RM38.7 million were in respect of disposals of a freehold property and a freehold land as disclosed in explanatory notes 11(a) and 11(c).
- Operating expenses of RM240.1 million recorded for the period was 78% higher than the operating expenses of RM134.5 million incurred in the same period of 2013 mainly due to higher personnel costs and marketing expenses as well as commission and incentives paid to agents of the fund and asset management business.
- Net write-back of losses on loans, advances and financing and receivables of RM3.7 million was recorded compared to a net allowance made of RM0.4 million in the previous corresponding period. This was mainly due to reversal of collective impairment allowance following settlement of corporate loans and margin financing as well as receivables in the current period.

In line with holding company's group policy, the Bank had adopted Bank Negara Malaysia's policy pursuant to Paragraph 13 of the "Classification and Impairment Provisions for Loans/Financing", in relation to the maintenance of an aggregate collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing (excluding loans/financing with an explicit guarantee from the Federal Government of Malaysia), net of impairment provisions. The regulatory reserves is to be maintained in addition to the impairment provisions as required under MFRS and it will be set aside from the retained profits to a separate reserve within equity to further strengthen buffers against potential losses. The amount transferred from retained earnings to regulatory reserves as at 30 September 2014 is RM3.8 million.

2. Prospect for the current financial period

The Group continues to be optimistic on the potential opportunities in the capital markets in view that the Malaysian economy is expected to remain resilient driven by the ongoing implementation of infrastructure projects under the Economic Transformation Programme (ETP) and various domestic economic corridors. The strong macroeconomic indicators in Malaysia is expected to mitigate the downside risks arising from the uncertain external environment.

The Group looks forward to realising the benefits and synergies of the merger with AFFIN Investment Bank Berhad, which was completed on 20 September 2014, and the equity broking collaboration with Daiwa Securities Group Inc, of Japan. The merger and ongoing collaboration efforts have created a leading domestic stockbroking position for the Group. However, the operating environment of the stockbroking industry will continue to remain competitive where trading volume being highly dependent on the market sentiments in the local bourse.

The asset and fund management division shall continue to grow its business and selectively capitalise on potential regional growth opportunities to further expand its assets under management and client base. With the completion of the merger of the businesses of Affin Fund Management Bhd and the acquisition of Asian Islamic Investment Management Sdn Bhd, the segment is upbeat on its combined performance and its ability to offer a wider range of products and service capabilities to its enlarged clientele.

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3. Basis of preparation

The unaudited condensed interim financial statements for the 14 months period ended 30 September 2014 has been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Bank Negara Malaysia (BNM) Guidelines and the requirements of the Companies Act 1965 in Malaysia.

The unaudited condensed interim financial statements may be read in conjunction with the annual financial statements for the financial year ended 31 July 2013. The explanatory notes 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 Group and the Bank since the year ended 31 July 2013.

4. Qualification of preceding annual financial statements

The Bank's financial statements for financial year 2013 were not qualified by the auditors.

5. Seasonal or cyclical factors

The Group's and Bank's operations are generally not affected by any seasonal or cyclical factors but are in tandem with the country's economic situation.

6. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial reporting period other than the net gain on disposals of investment properties totalling RM38.7 million, as disclosed in explanatory notes 11(a) and (c); completion of the Pre-Closing Reorganisation as disclosed in explanatory note 11(e) and completion of the acquisitions and/or mergers of the businesses and assets and liabilities of the companies acquired as disclosed in explanatory notes 11(g), (h), (k), (m) and (n).

7. Changes in debt and equity securities

There were no issuances, cancellation, repurchases, resale or repayment of debt and equity securities at the Bank's level during the financial reporting period, other than the increase of its authorised ordinary share capital from 600,000,000 to 1,500,000,000 through the creation of 900,000,000 ordinary shares of RM1.00. The issued and paid up ordinary share capital of the Bank was increased from RM500,000,000 to RM780,000,000 via the issuance of 280,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.785 per share on 22 September 2014.

8. Litigations against the Bank

There were no material litigations as at 30 September 2014 which would materially affect the financial position or business of the Group.

9. Change in financial year end

The Bank and its subsidiaries changed its financial year end from 31 July to 31 December to be co-terminous with the financial year end of its holding/ultimate holding company, AFFIN Holdings Berhad. The current financial period is for seventeen (17) months period from 1 August 2013 to 31 December 2014. Thereafter, the financial year end shall be twelve (12) months ending 31 December of each subsequent year.

10. Change in name

On 2 September 2014, Hwang Investment Management Berhad changed its name to Affin Hwang Asset Management Berhad ("AHAM").

On 18 September 2014, the Bank and the following companies also changed their names as follows:

- (a) HwangDBS Investment Bank Berhad is now known as Affin Hwang Investment Bank Berhad ("AHIB" or "the Bank");
- (b) HDM Nominees (Tempatan) Sdn. Bhd. is now known as Affin Hwang Nominees (Tempatan) Sdn. Bhd. ("AHNT");
- (c) HDM Nominees (Asing) Sdn. Bhd. is now known as Affin Hwang Nominees (Asing) Sdn. Bhd. ("AHNA"); and
- (d) HDM Futures Sdn. Bhd. is now known as Affin Hwang Futures Sdn. Bhd. ("AHF").

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11. Significant Events

- (a) On 18 October 2013, Affin Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad) ("AHIB" or "the Bank") entered into a Sale and Purchase Agreement ("SPA") with a third party for the disposal of a freehold investment property, free from encumbrances and subject to the terms and conditions as stipulated in the SPA, for a total cash consideration of RM82.5 million resulting in a net gain on disposal of RM34.9 million (before Real Property Gains Tax of RM3.4 million). The disposal was completed on 15 January 2014.
- (b) On 22 November 2013, a wholly-owned subsidiary of the Bank, HwangDBS Custodian Services Sdn. Bhd. (In Liquidation) ("HDBS Custodian") held its final shareholder's meeting, and the Return by Liquidator Relating to Final Meeting ("Return") had been lodged with the Companies Commission of Malaysia ("CCM") and the Official Receiver on the said date. HDBS Custodian had been dissolved at the expiry of 3 months from date of lodgement of the Return with CCM and the Official Receiver pursuant to Section 272(5) of the Companies Act, 1965.
- (c) On 18 December 2013, the Bank entered into a Sale and Purchase Agreement ("SPA") with HDM Properties Sdn Bhd for the disposal of a freehold land, free from encumbrances and subject to the terms and conditions as stipulated in the SPA, for a total cash consideration of RM5 million resulting in a net gain on disposal of RM3.8 million. The disposal was completed on 14 March 2014.
- (d) On 10 January 2014, the Minister of Finance, via Bank Negara Malaysia, had granted its approval under the Financial Services Act 2013 for the disposal by Hwang Capital (Malaysia) Berhad (formerly known as Hwang-DBS (Malaysia) Berhad) ("Hwang") of its 100% equity interest in the Bank and its subsidiaries and associate ("Disposal"), following the Pre-Closing Reorganisation, as defined below to Affin Holdings Berhad ("AHB"), subject to the necessary approvals being obtained from other regulatory authorities. The Securities Commission, Malaysia had also on the same date granted its approval in relation to the Disposal, subject to the relevant requirements imposed by other regulatory authorities.
- (e) On 22 January 2014, Hwang entered into a Conditional Share Sale and Purchase Agreement with AHB in relation to the Disposal following the Pre-Closing Reorganisation as follows:

Pre-Closing Reorganisation

- (i) the Bank acquiring the following entities from Hwang:
- 100% equity interest in Affin Hwang Futures Sdn. Bhd.(formerly known as HDM Futures Sdn. Bhd.) ("AHF");
 - 53% equity interest in Affin Hwang Asset Management Berhad (formerly known as Hwang Investment Management Berhad) ..("AHAM"); and
 - 49% equity interest in Asian Islamic Investment Management Sdn. Bhd. ("AIIMAN")
- (ii) Hwang acquiring the following entity from the Bank:
- 51% equity interest in HwangDBS Vickers Research Sdn. Bhd. ("HDBS Vickers Research").

Disposal

The Disposal entails the disposal by Hwang to AHB, of its 100% equity interest in the Bank and the Bank's subsidiaries and associate, after the Pre-Closing Reorganisation, consisting of:

- (i) 100% direct equity interest in the Bank;
- (ii) subsidiaries and associate of the Bank, following the Pre-Closing Reorganisation, consisting of:
- 100% equity interest in Affin Hwang Nominees (Tempatan) Sdn. Bhd. (formerly known as HDM Nominees (Tempatan) Sdn. Bhd.) ("AHNT");
 - 100% equity interest in Affin Hwang Nominees (Asing) Sdn. Bhd. (formerly known as HDM Nominees (Asing) Sdn. Bhd.) ("AHNA");
 - 100% equity interest in AHF;
 - 53% equity interest in AHAM; and
 - 49% equity interest in AIIMAN.

The Disposal was approved by the shareholders of Hwang at the extraordinary general meeting held on 27 March 2014 and the Disposal was completed on 7 April 2014, of which AHIB then became a wholly-owned subsidiary of AHB.

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(e) The Bank applies predecessor accounting to account for business combination under common control in the Pre-Closing Reorganisation.

(i) The net assets acquired by AHIB based on the carrying values of AHAM and AHF as at 31 March 2014 are summarised below:

	<u>RM'000</u>
Assets	
Cash and short-term funds	160,018
Cash and short-term funds (trust)	43,893
Financial assets held-for-trading	13,283
Financial investments available-for-sale	40,542
Trade receivables	104,539
Other assets	4,643
Deferred tax assets	1,206
Tax recoverable	72
Property and equipment	6,644
Total Assets	<u>374,840</u>
Liabilities	
Trade payables	226,244
Subordinated loan from holding company	5,000
Other liabilities	19,653
Provision for taxation	2,526
Total Liabilities	<u>253,423</u>
Net assets acquired	121,417
Less: Non-controlling interest share of NAV	(33,139)
Acquisition of equity interest	43,838
Total cost of acquisition	<u>132,116</u>
Less: Cash and short term funds acquired	<u>(160,018)</u>
Net cash flow arising from the acquisitions	<u>(27,902)</u>

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(e) (ii) Share of net assets of AIIMAN, a 49% associate acquired by AHIB, as at 31 March 2014 are summarised below:

	AIIMAN RM'000
Assets	
Cash and short-term funds	533
Financial investments available-for-sale	6,029
Trade receivables	473
Other assets	48
Amount due from related companies	211
Tax recoverable	14
Property and equipment	127
Total Assets	7,435
Liabilities	
Other liabilities	503
Amount due to a related company	40
Total Liabilities	543
 Cash consideration paid on acquisition of interest in an associate	 6,892

(iii) The net assets of HDBS Vickers Research, disposed by AHIB, as at 31 March 2014 are summarised below:

	HDBS Vickers Research RM'000
Cash and short term funds	240
Other assets	828
Tax recoverable	16
Property, plant & equipment	84
Other liabilities	(388)
Net assets disposed	780
Less: Non-controlling interest share of NAV	(382)
Loss on disposal of subsidiary	(398)
Total disposal proceeds (RM1)	(0)
Less: Cash and short term funds	(240)
Net cash flow on disposal of subsidiary	(240)

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- (f) Hwang had executed three Novation Agreements dated 25 March 2014 signed with AHIB, Bursa Malaysia Derivatives Berhad and AHF for the novations of the Subordinated Loan Agreements dated 25 June 1996, 26 February 2008 and 28 April 2008 together with their respective Supplemental Agreements (herein referred to as "the Subordinated Loan Agreements") in favour of AHIB. Consequently, AHIB had assumed the obligations, rights and entitlements under the Subordinated Loan Agreements. As at end of the financial period, the subordinated loan granted to AHF amounted to RM5 million.
- (g) Following completion of the Disposal mentioned in explanatory note 11(e) above, on 5 May 2014, AFFIN Investment Bank Berhad ("AFFIN IB") and AHIB had entered into a Business Transfer Agreement for the proposed transfer of AFFIN IB's entire business as a going concern (including all its assets and liabilities excluding Merchant Nominees (Tempatan) Sdn Bhd and Classic Precision Sdn Bhd, herein referred to as the "Excluded AFFIN Companies") to AHIB for cash consideration ("Merger"). The purchase consideration was based on the aggregate of the net asset value ("NAV") based on AFFIN IB's last management accounts as at 31 August 2014 and a fixed sum of RM97.346 million being the value attributable to goodwill of the business. The said Business Transfer Agreement was further supplemented by a Supplemental Business Transfer Agreement dated 15 July 2014 as set out in note 11(j) wherein Affin Fund Management Bhd ("AFFIN Fund") was excluded from the merger. The Merger was completed on 20 September 2014 for a total cash consideration of RM762.730 million.

The net assets of AFFIN IB transferred to AHIB based on its carrying values as at 31 August 2014 are summarised below:

	AFFIN IB RM'000
Assets	
Cash and short-term funds	149,590
Deposits and placements with financial institutions	246,474
Financial assets held-for-trading	15,036
Financial investments held-to-maturity	154,307
Financial investments available-for-sale	2,096,844
Loans, advances and financing	728,683
Trade receivables	335,025
Other assets	8,153
Deferred tax assets	2,148
Tax recoverable	9,526
Statutory deposits with Bank Negara Malaysia	92,186
Amount owing from related companies	199
Property and equipment	5,758
Goodwill/Intangible assets	54,415
Total Assets	<u>3,898,344</u>
Liabilities	
Deposits from customers	2,337,940
Deposits and placements of banks and other financial institutions	350,986
Foreign currency borrowings	162,780
Trade payables	322,141
Other liabilities	59,113
Total Liabilities	<u>3,232,960</u>
Net assets acquired	665,384
Goodwill acquired	<u>97,346</u>
Total cost of merger	762,730
Less: Cash and short term funds acquired	<u>(149,590)</u>
Net cash flow arising from the merger	<u>613,140</u>

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- (h) On 22 May 2014, AFFIN Nominees (Tempatan) Sdn. Bhd. ("AFFIN NT") and Affin Hwang Nominees (Tempatan) Sdn. Bhd. ("AHNT") as well as AFFIN Nominees (Asing) Sdn. Bhd. ("AFFIN NA") and Affin Hwang Nominees (Asing) Sdn. Bhd. ("AHNA") entered into separate Business Transfer Agreements respectively for the proposed transfer of AFFIN NT's and AFFIN NA's entire business as a going concern (including all its assets and liabilities) to AHNT and AHNA respectively for cash consideration of RM1 each. The business transfers were completed on 20 September 2014.

The net liabilities of AFFIN NT and AFFIN NA transferred to AHNT and AHNA based on their respective carrying values as at 31 August 2014 are summarised below:

	<u>AFFIN NT</u> <u>RM'000</u>	<u>AFFIN NA</u> <u>RM'000</u>
Asset		
Cash at banks	44	102
Total Assets	<u>44</u>	<u>102</u>
Liabilities		
Amount due to AFFIN IB	184	70
Trade payable	72	100
Other liabilities	5	4
Provision for taxation	2	2
Total Liabilities	<u>263</u>	<u>176</u>
Net liabilities assumed	(219)	(74)
Deficit of acquisition cost over net liabilities assumed	219	74
Total cost of merger	-	-
Less: Cash at banks	(44)	(102)
Net cash flow arising from the merger	<u>(44)</u>	<u>(102)</u>

- (i) On 3 June 2014, AFFIN IB and AHIB had obtained the Vesting Order pursuant to Section 102 of the Financial Services Act 2013 and Section 139 of the Capital Markets and Services Act 2007 from the High Court of Malaya at Kuala Lumpur for the transfer of the entire business, including all assets and liabilities of AFFIN IB (other than the Excluded AFFIN Companies), as well as of AFFIN NT and AFFIN NA, to the Bank and its nominees subsidiaries respectively with effect from 20 September 2014.
- (j) On 15 July 2014, AFFIN IB and AHIB had entered into a Supplemental Business Transfer Agreement, whereby AFFIN Fund had been excluded from the Merger. Pursuant thereto, a Supplemental Vesting Order has been obtained from the High Court of Malaya on 13 August 2014 to exclude AFFIN Fund from the Vesting Order obtained on 3 June 2014.

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- (k) On 14 August 2014, AFFIN IB and AHAM entered into a Share Transfer Agreement whereby AHAM will acquire 100% equity interest in AFFIN Fund from AFFIN IB, subject to approval of the relevant authorities, for a cash consideration of RM55 million. The acquisition was completed on 19 August 2014.

Following completion of the acquisition, on 20 August 2014, AFFIN Fund and AHAM entered into a Business Transfer Agreement for the transfer of AFFIN Fund's entire business as a going concern (including its assets and liabilities) to AHAM. The cash purchase consideration was based on the net asset value ("NAV") of AFFIN Fund's last management accounts as at 31 August 2014. The business transfer was completed on 20 September 2014.

The net assets of AFFIN Fund acquired by AHAM based on its carrying values as at 31 August 2014 are summarised below:

	AFFIN Fund
	RM'000
Assets	
Cash and short term funds	26,051
Manager's stocks	1,169
Trade debtors	310
Other assets	197
Deferred tax asset	521
Property and equipment	468
Intangible assets	41
Total Assets	28,757
Liabilities	
Amount due to holding company	235
Other liabilities	5,989
Provision for taxation	684
Total Liabilities	6,908
Net assets acquired/merged	21,849
Excess of acquisition cost over net assets acquired	33,151
Total cost of acquisition	55,000
Less: Cash and short term funds acquired	(25,051)
Net cash flow arising from the acquisition	29,949

Subsequent to the completion of business transfer, AFFIN Fund has surrendered its Capital Market Services License to Securities Commission on 24 September 2014.

- (l) On 25 August 2014, AFFIN Fund and AHAM had obtained the Vesting Order pursuant to Section 139 of the Capital Markets and Services Act 2007 from the High Court of Malaya at Kuala Lumpur for the transfer of the entire business, including its assets and liabilities of AFFIN Fund to AHAM with effect from 20 September 2014.
- (m) On 19 September 2014, AHIB entered into a Share Sale and Purchase Agreement with AHAM for the disposal of 49% equity interest in AIIAMAN to AHAM for cash consideration of RM11,270,000. The disposal was completed on 20 September 2014.

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- (n) Simultaneously on 19 September 2014, AHAM entered into a Share Sale and Purchase Agreement with Nikko Asset Management Asia Limited (“Nikko”) for the acquisition of 51% equity interest in AIIMAN from Nikko for cash consideration of RM11,730,000. The acquisition was completed on 20 September 2014.

The net assets of AIIMAN acquired by AHAM based on its carrying values as at 31 August 2014 are summarised below:

	AIIMAN
	RM'000
Assets	
Cash and short-term funds	1,106
Financial investments available-for-sale	14,475
Trade receivables	1,409
Other assets	198
Property and equipment	220
Total Assets	17,408
Liabilities	
Other liabilities	1,470
Total Liabilities	1,470
Net assets acquired	15,938
Goodwill on merger	7,062
Total cost of acquisition	23,000
Less : Purchase consideration of 49% paid to AHIB	(11,270)
Less: Cash and short term funds acquired	(1,106)
Net cash flow arising from the acquisitions	10,624

12. Subsequent events

There are no material events subsequent to the end of the financial period ended 30 September 2014.

13. Changes in the composition of the Bank

- (a) A wholly owned subsidiary of the Bank, HwangDBS Custodian Services Sdn Bhd (In Liquidation) was dissolved on 22 February 2014 pursuant to Section 272(5) of the Companies Act, 1965, details as disclosed in explanatory note 11(b).
- (b) Following completion of the Disposal by Hwang to AHB as disclosed in explanatory note 11(e), AHF, AHAM and AIIMAN became part of AHIB's Group on 7 April 2014. The equity interest in AHAM was further increased to 70% following the acquisition of 17% interest in AHAM from a minority shareholder by AHB. AHB had in turn nominated the Bank as the transferee of this 17% equity stake. In addition, as part of the Pre-Closing Reorganisation, HDBS Vickers Research ceased to be a subsidiary of the Bank on 7 April 2014.
- (c) Following completion of the acquisition of AFFIN Fund by AHAM from AFFIN IB on 19 August 2014, as disclosed in explanatory note 11(k), AFFIN Fund is now a 100% owned subsidiary of AHAM. Subsequently, on 20 September 2014, the business and assets and liabilities of AFFIN Fund were transferred to AHAM, and AFFIN Fund thereon remains as a dormant subsidiary.
- (d) Following completion of the acquisition of AIIMAN by AHAM from AHIB and Nikko respectively as disclosed in explanatory notes 11(m) and 11(n), AIIMAN is now a 100% owned subsidiary of AHAM.

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14. Securities portfolio

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
<u>Classification of securities portfolio:</u>				
(i) Financial assets held-for-trading				
<u>At fair value</u>				
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	34,951	19,890	34,951	19,890
<u>Quoted securities</u>				
Shares, warrants and REITS	28,813	23,747	28,813	23,747
Unit trusts	7,271	-	-	-
	71,035	43,637	63,764	43,637
(ii) Financial investments held-to-maturity				
<u>At amortised cost</u>				
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	242,988	277,266	242,988	277,266
Private Debt Securities outside Malaysia	96,752	93,002	96,752	93,002
Redeemable Convertible Secured Loan Stock	1,554	-	1,554	-
	341,294	370,268	341,294	370,268
Allowance for impairment of securities	(1,554)	-	(1,554)	-
	339,740	370,268	339,740	370,268
(iii) Financial investments available-for-sale				
<u>At fair value</u>				
<u>Money Market Instruments</u>				
Malaysian Government Securities	80,666	80,539	80,666	80,539
Malaysian Government Sukuk	6,775	6,851	6,775	6,851
Malaysian Government Islamic Investment Securities	865,549	250,894	865,549	250,894
Malaysian Government Treasury Bills	-	22,089	-	22,089
Malaysian Government Investment Issues	-	-	-	-
BNM Islamic Negotiable Notes	-	119,671	-	119,671
Cagamas Bonds	85,735	-	85,735	-
Sukuk Perumahan Kerajaan	49,049	-	49,049	-
Negotiable Instruments of Deposit	80,821	-	80,821	-
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	1,717,424	527,284	1,717,424	527,284
Private Debt Securities outside Malaysia	211,619	198,683	211,619	198,683
Shares in Malaysia	19,001	-	19,001	-
	3,116,639	1,206,011	3,116,639	1,206,011
<u>Quoted securities</u>				
Shares in Malaysia	22,369	-	22,369	-
Unit Trusts	181,900	128,586	162,137	128,586
REITS in Malaysia	33,367	33,574	33,367	33,574
REITS outside Malaysia	35,506	34,574	35,506	34,574
	3,389,781	1,402,745	3,370,018	1,402,745
Allowance for impairment of securities	(41,414)	-	(41,414)	-
	3,348,367	1,402,745	3,328,604	1,402,745

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15. Loans, advances and financing

(i) By type of Loan/Financing

	The Group and the Bank	
	30-09-2014	31-07-2013
	RM'000	RM'000
Term loans/financing		
- Syndicated term loan/financing	399,561	190,979
- Other term loans/financing	389,949	111,311
Staff loans	8,195	-
Margin financing	232,752	168,036
Revolving credit	17,559	-
Gross loans, advances and financing	<u>1,048,016</u>	<u>470,326</u>
Less :		
Allowances for impaired loans, advances and financing		
- Individual allowance	(21,869)	-
- Collective allowance	(8,507)	(5,476)
Total net loans, advances and financing	<u><u>1,017,640</u></u>	<u><u>464,850</u></u>

(ii) By Type of Customers

Domestic business enterprises		
- Small medium enterprises	26,124	-
- Others	681,787	309,374
Individuals	335,636	152,213
Foreign business enterprises	916	4,942
Foreign individuals	3,553	3,797
Total gross loans, advances and financing	<u>1,048,016</u>	<u>470,326</u>

(iii) By Interest/Profit Rate Sensitivity

Fixed rate		
- Housing loans/financing	4,372	-
- Other fixed rate loans/financing	3,824	33,209
- Margin financing	232,752	168,036
Variable rate		
- Cost-plus	807,068	269,081
Total gross loans, advances and financing	<u>1,048,016</u>	<u>470,326</u>

(iv) By Economic Purpose

Purchase of securities	420,755	234,668
Merger and acquisition	109,230	-
Other purpose	158,589	179,646
Working capital	259,865	21,508
Purchase of landed properties (non-residential)	43,265	34,504
Construction	48,117	-
Personal use	8,195	-
Total gross loans, advances and financing	<u>1,048,016</u>	<u>470,326</u>

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15. Loans, advances and financing (continued)

	The Group and the Bank	
	30-09-2014	31-07-2013
	RM'000	RM'000
<u>(v) By Sector</u>		
Agriculture	19,731	-
Finance, insurance and business services	247,961	168,036
Electricity, gas and water	125,126	113,409
Wholesale retail trade and restaurant and hotels	66,723	66,237
Real estate	58,398	56,012
Mining and quarrying	9,559	23,035
Household	198,433	3,393
Manufacturing	22,500	40,204
Community, social and personal services	-	-
Construction	153,990	-
Transport, storage and communication	94,969	-
Education, health & others	50,626	-
Total gross loans, advances and financing	<u>1,048,016</u>	<u>470,326</u>
<u>(vi) By Geographical Distribution</u>		
Wilayah Persekutuan	594,553	296,689
Selangor	287,032	100,586
Pulau Pinang	16,017	42,732
Perak	6,144	7,390
Sarawak	25,809	10,224
Johor	110,794	1,248
Sabah	1,510	1,504
Negeri Sembilan	1,403	1,044
Kedah	285	227
Outside Malaysia	4,469	8,682
Total gross loans, advances and financing	<u>1,048,016</u>	<u>470,326</u>
<u>(vii) By maturity structure</u>		
Maturing within one year	340,785	252,325
One year to three years	167,787	34,504
Three years to five years	317,866	54,536
Over five years	221,578	128,961
Total gross loans, advances and financing	<u>1,048,016</u>	<u>470,326</u>
<u>(viii) Movement of impaired loans, advances and financing</u>		
At beginning of the financial period/year	-	3,550
Merger of assets and liabilities of AFFIN IB	34,192	-
Amount written-off	-	(3,550)
At end of the financial period/year	<u>34,192</u>	<u>-</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>3.26%</u>	<u>0.00%</u>

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15. Loans, advances and financing (continued)

	The Group and the Bank	
	30-09-2014	31-07-2013
	RM'000	RM'000
<u>(ix) Movement in allowances are as follows:</u>		
Individual allowance		
At beginning of the financial period/year	-	3,550
Merger of assets and liabilities of AFFIN IB	20,269	-
Allowance made	1,600	-
Amount written-off	-	(3,550)
At end of the financial period/year	<u>21,869</u>	<u>-</u>
Collective allowance		
At beginning of the financial period/year	5,476	4,511
Merger of assets and liabilities of AFFIN IB	7,388	-
Allowance made	65	1,779
Amount written-back	(4,422)	(814)
At end of the financial period/year	<u>8,507</u>	<u>5,476</u>
<u>(x) Impaired loans, advances and financing analysed by their economic purpose</u>		
Working capital	34,070	-
Purchase of securities	122	-
Total impaired loans, advances and financing	<u>34,192</u>	<u>-</u>
<u>(xi) Impaired loans, advances and financing analysed by their economic sector</u>		
Manufacturing	22,500	-
Wholesale retail trade and restaurant and hotels	11,570	-
Household	122	-
Construction	-	-
Total impaired loans, advances and financing	<u>34,192</u>	<u>-</u>
<u>(xii) Impaired loans, advances, and financing by geographical distribution</u>		
Selangor	34,070	-
Wilayah Persekutuan	122	-
Total impaired loans, advances and financing	<u>34,192</u>	<u>-</u>

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16. Trade receivables

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	71,413	-	-	-
Amount due from clients (a)	332,473	123,253	332,473	123,253
Amount due from brokers	116,070	18,205	116,070	18,205
Amount due from Bursa Securities Clearing Sdn. Bhd.	28,748	84,694	28,748	84,694
Others	525	-	-	-
	<u>549,229</u>	<u>226,152</u>	<u>477,291</u>	<u>226,152</u>
Less : Allowance for bad and doubtful accounts (b)				
- Individual allowance	(4,067)	(539)	(4,067)	(539)
- Collective allowance	(41)	-	(41)	-
	<u>545,121</u>	<u>225,613</u>	<u>473,183</u>	<u>225,613</u>

The Group and the Bank

30-09-2014 RM'000	31-07-2013 RM'000
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(a) Movement of impaired amount due from clients are as follows:

At beginning of the financial period/year	692	762
Amount recovered	(161)	(70)
At end of the financial period/year	<u>531</u>	<u>692</u>

(b) Movement in allowances are as follows:**Individual allowance**

At beginning of the financial period/year	539	553
Merger of assets and liabilities of AFFIN IB	3,727	-
Allowance made	159	102
Amount written back	(358)	(116)
Amount recovered	-	-
At end of the financial period/year	<u>4,067</u>	<u>539</u>

Collective allowance

At beginning of the financial period/year	-	-
Merger of assets and liabilities of AFFIN IB	118	-
Allowance made	1	-
Amount written-back	(78)	-
At end of the financial period/year	<u>41</u>	<u>-</u>

17. Other assets

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
Other debtors, deposits and prepayments	46,295	26,337	42,392	25,965
Derivative financial assets	34,094	36,579	34,094	36,579
Allowance for bad and doubtful debts (a)	(9,616)	(510)	(9,616)	(510)
	<u>70,773</u>	<u>62,406</u>	<u>66,870</u>	<u>62,034</u>

(a) Movement in allowances are as follows:**Individual allowance**

	The Group and the Bank	
	30-09-2014 RM'000	31-07-2013 RM'000
At beginning of the financial period/year	510	363
Merger of assets and liabilities of AFFIN IB	9,616	-
Allowance made	103	147
Amount written back	(273)	-
Amount written off	(340)	-
At end of the financial period/year	<u>9,616</u>	<u>510</u>

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18. Deposit from customers

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
By type of deposits:				
Fixed deposits	2,594,825	1,948,179	2,607,209	1,948,179
Negotiable instruments of deposits	785,176	3,481	785,176	3,481
Other deposits - Dual Currency & Gold Currency Investments	40,215	4,157	40,215	4,157
	3,420,216	1,955,817	3,432,600	1,955,817
By maturity structure:				
Due within six months	2,364,484	1,508,790	2,376,868	1,508,790
Six months to one year	229,845	447,027	229,845	447,027
More than one year	825,887	-	825,887	-
	3,420,216	1,955,817	3,432,600	1,955,817
By type of customer:				
Government and statutory bodies	682,397	310,555	682,397	310,555
Business enterprises	944,140	282,733	956,524	282,733
Individuals	107,339	70,185	107,339	70,185
Others	1,686,340	1,292,344	1,686,340	1,292,344
	3,420,216	1,955,817	3,432,600	1,955,817

19. Deposit and placements of banks and other financial institution

	The Group and the Bank	
	30-09-2014 RM'000	31-07-2013 RM'000
Licensed banks	903,687	404,985
Licensed investment banks	67,432	67,283
Bank Negara Malaysia	215,509	280,448
	1,186,628	752,716

20. Trade payables

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
Amount due to clients	320,765	136,628	320,765	136,628
Amount due to brokers	133,754	43,332	82,649	43,332
Others	103,684	-	-	-
	558,203	179,960	403,414	179,960

21. Other liabilities

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
Commissioned dealer's representative trust balances	49,536	37,749	49,536	37,749
Derivative financial liabilities	38,909	45,883	38,909	45,883
Other liabilities	151,194	46,953	109,424	45,345
	239,639	130,585	197,869	128,977

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22. Interest income

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended	Period ended	Period-to-date	Period-to-date
30-09-2014	30-09-2013	30-09-2014	30-09-2013	
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income on loans and advances	5,332	4,699	19,832	18,763
- Margin financing	3,461	3,599	16,135	17,561
- IPO financing	60	-	60	-
Money at call and deposit placements with financial institutions	7,416	6,878	31,875	25,131
Derivative instruments	1,487	1,430	6,535	5,494
Financial assets held-for-trading	726	356	2,856	7,727
Financial investment available-for-sale	16,911	11,676	58,484	27,216
Financial investment held-to-maturity	5,178	5,727	23,977	57,031
Others	98	84	418	1,008
	<u>40,669</u>	<u>34,449</u>	<u>160,172</u>	<u>159,931</u>
Net accretion of discounts less amortisation of premiums	190	(73)	445	(1,083)
	<u>40,859</u>	<u>34,376</u>	<u>160,617</u>	<u>158,848</u>
of which:				
Interest income earned on impaired loans, advances and financing	-	-	-	-

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended	Period ended	Period-to-date	Period-to-date
30-09-2014	30-09-2013	30-09-2014	30-09-2013	
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income on loans and advances	5,332	4,699	19,832	18,763
- Margin financing	3,461	3,599	16,136	17,561
- IPO financing	60	-	60	-
Money at call and deposit placements with financial institutions	6,375	6,860	29,875	25,023
Derivative instruments	1,487	1,430	6,535	5,494
Financial assets held-for-trading	726	356	2,856	7,727
Financial investment available-for-sale	16,911	11,676	58,484	27,216
Financial investment held-to-maturity	5,178	5,727	23,977	57,031
Others	98	84	418	1,008
	<u>39,628</u>	<u>34,431</u>	<u>158,173</u>	<u>159,823</u>
Net accretion of discounts less amortisation of premiums	190	(72)	445	(1,083)
	<u>39,818</u>	<u>34,359</u>	<u>158,618</u>	<u>158,740</u>
of which:				
Interest income earned on impaired loans, advances and financing	-	-	-	-

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23. Interest expense

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2014	30-09-2013	30-09-2014	30-09-2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	20,316	16,939	78,666	83,119
Deposits and placements of banks and other financial institutions	3,452	3,812	16,333	10,469
Derivative instruments	452	830	2,229	6,891
Foreign currency borrowings	254	-	254	-
Others	228	113	677	513
	24,702	21,694	98,159	100,992

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2014	30-09-2013	30-09-2014	30-09-2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	20,421	16,939	78,872	83,119
Deposits and placements of banks and other financial institutions	3,452	3,812	16,333	10,469
Derivative instruments	452	830	2,229	6,891
Foreign Currency Borrowing	254	-	254	-
Others	153	113	540	513
	24,732	21,694	98,228	100,992

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24. Other operating income

	The Group			
	Individual Quarter Current Financial Period ended 30-09-2014 RM'000	Preceding Year Financial Period ended 30-09-2013 RM'000	Cumulative Quarter Current Financial Period-to-date 30-09-2014 RM'000	Preceding Year Financial Period-to-date 30-09-2013 RM'000
Fees income				
Fees on loans, advances and financing	156	193	2,578	1,846
Corporate advisory fees	748	370	2,154	3,458
Guarantee fees	-	-	-	46
Underwriting commissions and placement fees	344	-	1,425	158
Unit trust management and incentive fee	34,222	-	68,254	-
Brokerage	20,209	15,521	73,043	65,215
Initial service charge	21,294	-	32,920	-
Agency fees	297	-	317	-
Arrangement fees	-	-	32	-
Others	642	244	1,987	2,141
Income from financial instruments				
Gains arising on financial assets held-for-trading				
- net gain on disposal	18,423	6,812	46,775	24,023
- unrealised gain/(loss)	(214)	(612)	(431)	(3,127)
- gross dividend income	885	647	2,555	1,335
Gains on derivative instruments				
- net gain/(loss) on disposal	353	318	701	(9,055)
- unrealised gain/(loss)	1,085	(1,337)	4,402	2,612
Gains arising on financial investments available-for-sale				
- net gain on disposal	1,305	796	2,526	2,375
- gross dividend income	2,920	2,002	10,853	7,591
Gains arising on financial investments held-to-maturity				
- net gain on redemption	-	-	3,220	-
Other income				
Foreign exchange gain/(loss)				
- realised	2,816	(12,359)	8,183	3,087
- unrealised	(2,392)	14,490	(7,346)	16,236
Gain on disposal of property, plant and equipment	-	3	647	188
Loss on disposal of a subsidiary	-	-	(398)	-
Gain on remeasurement/disposal of an associate	3,849	-	4,378	-
Net gain on disposals of investment properties	-	-	38,674	-
Other non-operating income	91	930	2,625	4,718
	107,033	28,018	300,074	122,847

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24. Other operating income (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended 30-09-2014 RM'000	Preceding Year Financial Period ended 30-09-2013 RM'000	Current Financial Period-to-date 30-09-2014 RM'000	Preceding Year Financial Period-to-date 30-09-2013 RM'000
Fees income				
Fees on loans, advances and financing	156	193	2,578	1,846
Corporate advisory fees	748	370	2,154	3,458
Guarantee fees	-	-	-	46
Underwriting commissions and placement fees	110	-	355	158
Brokerage	19,722	15,521	72,134	65,215
Agency fees	297	-	317	-
Arrangement fees	-	-	30	-
Others	269	160	919	1,449
Income from financial instruments				
Gains arising on financial assets held-for-trading				
- net gain on disposal	18,423	6,812	46,775	24,023
- unrealised gain/(loss)	(222)	(612)	(444)	(3,127)
- gross dividend income	574	647	1,890	1,335
Gains on derivative instruments				
- net gain/(loss) on disposal	353	318	701	(9,055)
- unrealised gain/(loss)	1,085	(1,337)	4,402	2,612
Gains arising on financial investments available-for-sale				
- net gain on disposal	1,043	796	2,264	2,375
- gross dividend income	2,920	2,002	10,853	7,591
Gains arising on financial investments held-to-maturity				
- net gain on redemption	-	-	3,220	-
Gross dividend income				
- subsidiary	-	-	3,000	944
Other income				
Foreign exchange gain/(loss)				
- realised	3,138	(12,359)	8,575	3,087
- unrealised	(2,613)	14,490	(7,571)	16,236
Gain on disposal of property and equipment	-	3	638	188
Loss on disposal of a subsidiary	-	-	(380)	-
Gain on disposal of an associate	4,378	-	4,378	-
Net gain on disposals of investment properties	-	-	38,674	-
Other non-operating income	438	381	1,614	2,507
	50,819	27,385	197,076	120,888
	-	-	-	-

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25. Other operating expenses

	The Group			
	Individual Quarter Current Financial Period ended 30-09-2014 RM'000	Preceding Year Financial Period ended 30-09-2013 RM'000	Cumulative Quarter Current Financial Period-to-date 30-09-2014 RM'000	Preceding Year Financial Period-to-date 30-09-2013 RM'000
Personnel costs				
Salaries, allowances and bonuses	35,500	12,184	90,269	54,052
Contributions to defined contribution plan	4,401	1,590	11,836	7,420
Other personnel costs	6,071	1,264	12,483	5,631
	<u>45,972</u>	<u>15,038</u>	<u>114,588</u>	<u>67,103</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	2,721	83	4,310	406
Entertainment	363	242	1,016	817
Travelling and accommodation	424	234	1,060	948
Dealers' handling fees	620	549	2,446	2,591
Others	1,435	175	3,030	686
	<u>5,563</u>	<u>1,283</u>	<u>11,862</u>	<u>5,448</u>
Establishment-related expenses				
Rental of premises	3,445	2,402	12,678	11,113
Equipment rental	617	389	2,324	2,272
Repair and maintenance	1,404	873	4,709	4,756
Depreciation of property and equipment	794	562	3,137	2,918
Amortisation of intangible assets	469	-	469	-
Electricity, water and sewerage	655	453	2,429	2,130
Insurance and indemnities	199	116	667	477
	<u>7,583</u>	<u>4,795</u>	<u>26,413</u>	<u>23,666</u>
General administrative expenses				
Directors' remuneration	467	435	1,160	1,976
Telecommunication expenses	2,175	1,437	8,480	8,525
Professional fees	2,590	40	3,830	677
Auditors' remuneration	235	71	330	350
Property, plant & equipment written off	1	-	57	14
Dealers' representative performance incentive	2,949	3,514	15,034	15,654
Subsidies	76	-	76	-
Commission and brokerage expenses	22,386	42	39,274	199
Transaction levy	1,841	1,480	7,179	5,332
Subscription	362	100	771	432
Others	6,237	1,169	11,053	5,171
	<u>39,319</u>	<u>8,288</u>	<u>87,244</u>	<u>38,330</u>
Total other operating expenses	<u>98,437</u>	<u>29,404</u>	<u>240,107</u>	<u>134,547</u>

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25. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2014	30-09-2013	30-09-2014	30-09-2013
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	26,847	11,514	70,155	50,974
Contributions to defined contribution plan	2,489	1,434	7,543	6,703
Other personnel costs	1,677	1,252	5,532	5,576
	<u>31,013</u>	<u>14,200</u>	<u>83,230</u>	<u>63,253</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	94	83	308	406
Entertainment	152	240	643	805
Travelling and accommodation	112	230	465	910
Dealers' handling fees	697	642	2,842	3,013
Others	5	175	481	686
	<u>1,060</u>	<u>1,370</u>	<u>4,739</u>	<u>5,820</u>
Establishment-related expenses				
Rental of premises	2,850	2,357	11,503	10,902
Equipment rental	332	389	1,797	2,272
Repair and maintenance	1,016	869	4,045	4,723
Depreciation of property and equipment	556	551	2,248	2,864
Amortisation of intangible assets	48	-	48	-
Electricity, water and sewerage	594	452	2,309	2,121
Insurance and indemnities	126	113	512	462
	<u>5,522</u>	<u>4,731</u>	<u>22,462</u>	<u>23,344</u>
General administrative expenses				
Directors' remuneration	391	106	1,064	478
Telecommunication expenses	1,862	1,426	7,767	8,490
Professional fees	275	36	583	650
Auditors' remuneration	190	67	266	330
Property, plant & equipment written off	1	-	57	14
Dealers' representative performance incentive	2,933	3,514	15,010	15,654
Subsidies	76	-	76	-
Commission and brokerage expenses	65	42	207	199
Transaction levy	1,841	1,480	7,179	5,332
Subscription	317	100	628	432
Research expenses	-	538	1,964	3,208
Others	5,713	1,280	10,218	4,990
	<u>13,664</u>	<u>8,589</u>	<u>45,019</u>	<u>39,777</u>
Total other operating expenses	<u>51,259</u>	<u>28,890</u>	<u>155,450</u>	<u>132,194</u>

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26. Allowance for losses on loans, advances and financing and receivables

	The Group and the Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended 30-09-2014 RM'000	Preceding Year Financial Period ended 30-09-2013 RM'000	Current Financial Period-to-date 30-09-2014 RM'000	Preceding Year Financial Period-to-date 30-09-2013 RM'000
Allowance for losses on loans, advances and financing and trade receivables:				
Individual allowance				
- Made during the financial period	(1,658)	(116)	(1,862)	(249)
- Written back during the financial period	24	302	631	419
Collective allowance				
- Made during the financial period	(34)	(28)	(66)	(1,807)
- Written back during the financial period	2,366	357	4,500	926
Bad debts recovered	7	159	512	351
Bad debts written off				
- Trade debtors	-	-	(41)	-
	<u>705</u>	<u>674</u>	<u>3,674</u>	<u>(360)</u>
27. Writeback of impairment loss on other assets				
Writeback of impairment loss on -				
- Financial investments available for sale	<u>58</u>	<u>-</u>	<u>58</u>	<u>-</u>

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28. Capital adequacy

	The Group		The Bank	
	30-09-2014 RM'000	31-07-2013 RM'000	30-09-2014 RM'000	31-07-2013 RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Paid-up share capital	780,000	500,000	780,000	500,000
Share premium	219,800	-	219,800	-
Statutory reserve	148,861	148,861	148,861	148,861
Other reserve	(3,826)	-	(3,826)	-
Retained profit	216,854	216,854	214,038	214,038
Unrealised gains on AFS instruments	2,635	3,564	2,670	3,564
	<u>1,364,324</u>	<u>869,279</u>	<u>1,361,543</u>	<u>866,463</u>
Less : Regulatory adjustment				
Intangible assets	(323,561)	(162,502)	(314,219)	(162,502)
Deferred tax assets	(13,372)	(463)	(9,849)	(463)
Investment in subsidiaries /associates	-	-	(124,746)	-
55% of unrealised gains on AFS instruments	(1,449)	(1,960)	(1,469)	(1,960)
Total CET 1 capital	<u>1,025,942</u>	<u>704,354</u>	<u>911,260</u>	<u>701,538</u>
Additional Tier 1 Capital				
Non-controlling interests	3,000	208	-	-
Total CET 1 capital / Tier 1 capital (a)	<u>1,028,942</u>	<u>704,562</u>	<u>911,260</u>	<u>701,538</u>
Tier 2 capital				
Collective allowance for financing & trade receivables	12,374	5,476	12,374	5,476
Non-controlling interests	-	49	-	-
Less : Regulatory adjustment				
Investment in subsidiaries	-	-	(12,374)	(399)
Total Tier 2 capital (b)	<u>12,374</u>	<u>5,525</u>	<u>-</u>	<u>5,077</u>
Total Capital (a) + (b)	<u>1,041,316</u>	<u>710,087</u>	<u>911,260</u>	<u>706,615</u>
Proposed dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Ratio				
CET 1 capital ratio	30.350%	30.046%	30.267%	30.020%
Tier 1 capital ratio	30.439%	30.055%	30.267%	30.020%
Total capital ratio	30.805%	30.291%	30.267%	30.237%
CET 1 capital ratio (net of proposed dividends)	30.350%	30.046%	30.267%	30.020%
Tier 1 capital ratio (net of proposed dividends)	30.439%	30.055%	30.267%	30.020%
Total capital ratio (net of proposed dividends)	30.805%	30.291%	30.267%	30.237%
Breakdown of risk-weighted assets in the various categories of risk-weights:				
Credit risk	2,634,725	1,870,916	2,497,969	1,869,728
Market risk	255,402	168,291	209,538	168,291
Operational risk	490,224	305,023	303,209	298,889
Total Risk-Weighted Assets	<u>3,380,351</u>	<u>2,344,230</u>	<u>3,010,716</u>	<u>2,336,908</u>

With effect from 1 January 2013, the regulatory capital ratios as well as the level of these ratios of which the Bank is required to operate are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel III) and Capital Adequacy framework (capital components).

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29. Commitments and contingencies

	The Group and the Bank 30-09-2014			The Group and the Bank 31-07-2013		
	Principal amount	Credit equivalent amount *	Risk weighted amount	Principal amount	Credit equivalent amount *	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	44,750	44,750	44,750	-	-	-
Commitments to extend credit:						
- maturity not exceeding one year	619,085	59,933	61,194	344,222	5,385	5,385
- maturity exceeding one year	89,293	44,646	44,196	96,977	48,488	48,488
Interest rate related contracts:						
- less than one year	-	-	-	253,000	180	180
- one year to less than five years	250,000	8,439	4,219	100,000	5,892	2,946
Foreign exchange related contracts:						
- less than one year	2,679,372	55,498	32,992	1,573,044	49,452	34,946
- one year to less than five years	829,980	83,447	34,082	792,008	94,027	31,881
Total	4,512,480	296,713	221,433	3,159,251	203,424	123,826

* The credit equivalent amount and risk weighted amount is arrived at using the credit conversion factors as per Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework ("RWCAF").

30. Credit exposures arising from transactions with connected parties

In compliance with the requirement of BNM's guidelines on Credit Transactions and Exposures with Connected Parties for the Bank (Ref No: BNM/RH/GL 001-25), the following information as at 30 September 2014 are as follows:

(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	<u>556,107</u>
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	<u>9.58%</u>
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>Nil</u>

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31. FAIR VALUE MEASUREMENTS

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:-

- (a) Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities
(b) Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, either (i.e. as prices) or indirectly (i.e. derived from prices); and
(c) Level 3 - inputs for the asset and liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2014				
Assets				
Financial assets held-for-trading	36,084	34,951	-	71,035
Financial investments available-for-sale				
- Private debt securities	-	1,889,821	-	1,889,821
- Equity securities	91,242	-	16,809	108,051
- Other financial assets	181,900	1,168,595	-	1,350,495
Derivative financial assets	-	34,094	-	34,094
	<u>309,226</u>	<u>3,127,461</u>	<u>16,809</u>	<u>3,453,496</u>
Liabilities				
Derivative financial liabilities	-	(38,909)	-	(38,909)
31 July 2013				
Assets				
Financial assets held-for-trading	23,747	19,890	-	43,637
Financial investments available-for-sale				
- Private debt securities	-	725,967	-	725,967
- Equity securities	68,148	-	-	68,148
- Other financial assets	128,586	480,044	-	608,630
Derivative financial assets	-	36,579	-	36,579
	<u>220,481</u>	<u>1,262,480</u>	<u>-</u>	<u>1,482,961</u>
Liabilities				
Derivative financial liabilities	-	(45,883)	-	(45,883)

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31. FAIR VALUE MEASUREMENTS (continued)

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded. Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include corporate private debt securities, corporate notes and most of the Group's over-the-counter ("OTC") derivatives.

The Group and the Bank classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value

The Group and the Bank may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group and the Bank use models that are widely accepted by the industry. The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity which are significant to the fair value of the assets or liabilities are classified as Level 3.

The following table present the changes in Level 3 instruments for the financial period/year ended:-

	The Group and The Bank	
	30-09-2014	31-07-2013
	RM'000	RM'000
Opening	-	-
Merger of assets and liabilities of AFFIN IB		
- AFS revaluation reserve	16,809	-
Transfer in	-	-
Closing	<u>16,809</u>	<u>-</u>

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at 30 September 2014 and 31 July 2013, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purpose.

In estimating its significance, the Group used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be statistical or other relevant approved techniques.