

**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Unaudited Statements of Financial Position**  
**as at 30 September 2015**

	Note	The Group		The Bank	
		As at	As at	As at	As at
		30-09-2015	31-12-2014	30-09-2015	31-12-2014
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds		492,278	654,869	261,366	416,625
Deposits and placements with banks and other financial institutions		145,580	245,573	145,580	245,573
Financial assets held-for-trading	11	36,158	32,876	24,999	23,893
Financial investments held-to-maturity	11	86,799	176,346	86,799	176,346
Financial investments available-for-sale	11	4,167,093	3,577,748	4,120,303	3,536,702
Loans, advances and financing	12	1,089,176	1,035,844	1,089,176	1,035,844
Trade receivables	13	540,830	427,498	468,582	378,722
Derivative financial assets		187,328	82,127	187,328	82,127
Other assets	14	186,251	61,982	180,295	58,019
Deferred tax assets		18,741	10,836	15,561	5,990
Tax recoverable		30,189	14,625	29,630	14,569
Statutory deposits with Bank Negara Malaysia		184,150	135,000	184,150	135,000
Investment in subsidiaries		-	-	132,120	132,120
Subordinated loan to a subsidiary		-	-	-	5,000
Amount due from subsidiaries		-	-	21,238	126
Property and equipment		19,162	14,016	14,128	8,799
Intangible assets		325,614	320,806	319,583	314,772
<b>Total ASSETS</b>		<b>7,509,349</b>	<b>6,790,146</b>	<b>7,280,838</b>	<b>6,570,227</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from customers	15	4,265,252	3,604,160	4,265,252	3,644,373
Deposits and placements of banks and other financial institutions	16	758,378	861,615	758,378	861,615
Trade payables	17	597,838	582,166	431,960	363,283
Derivative financial liabilities		239,976	89,079	239,976	89,079
Other liabilities	18	211,946	203,377	134,961	143,411
Provision for taxation		-	4,349	-	-
<b>Total LIABILITIES</b>		<b>6,073,390</b>	<b>5,344,746</b>	<b>5,830,527</b>	<b>5,101,761</b>
Share capital		780,000	780,000	780,000	780,000
Reserves		623,102	635,071	670,311	688,466
		1,403,102	1,415,071	1,450,311	1,468,466
Non-controlling interests		32,857	30,329	-	-
<b>SHAREHOLDERS' EQUITY</b>		<b>1,435,959</b>	<b>1,445,400</b>	<b>1,450,311</b>	<b>1,468,466</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>7,509,349</b>	<b>6,790,146</b>	<b>7,280,838</b>	<b>6,570,227</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	26	<b>4,661,196</b>	<b>4,172,294</b>	<b>4,661,196</b>	<b>4,172,294</b>
<b>CAPITAL ADEQUACY</b>					
<b>Basel III</b>					
CET 1 capital ratio	25	27.589%	30.224%	28.643%	30.721%
Tier 1 capital ratio	25	27.666%	30.308%	28.643%	30.721%
Total capital ratio	25	28.008%	30.660%	28.643%	30.721%
<b>After deducting proposed dividends:</b>					
CET 1 capital ratio (net of proposed dividends)	25	27.589%	30.224%	28.643%	30.721%
Tier 1 capital ratio (net of proposed dividends)	25	27.666%	30.308%	28.643%	30.721%
Total capital ratio (net of proposed dividends)	25	28.008%	30.660%	28.643%	30.721%

## Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

### Unaudited Income Statements for the financial period ended 30 September 2015

The Group	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period RM'000 30-09-2015	Preceding Year* Corresponding Period RM'000 30-09-2014	Current Financial Period-to-date RM'000 30-09-2015	Preceding Year* Corresponding Period-to-date RM'000 30-09-2014
Interest income	19	67,167	40,859	194,241	105,397
Interest expense	20	(48,430)	(24,702)	(134,373)	(64,048)
Net interest income		18,737	16,157	59,868	41,349
Other operating income	21	96,822	107,033	320,062	256,386
<b>Net income</b>		<b>115,559</b>	<b>123,190</b>	<b>379,930</b>	<b>297,735</b>
Other operating expenses	22	(109,765)	(98,437)	(317,947)	(194,152)
<b>Operating profit before loan and financing loss and allowance</b>		<b>5,794</b>	<b>24,753</b>	<b>61,983</b>	<b>103,583</b>
(Allowances)/write-back of losses on loans, advances and financing and receivables	23	387	705	(305)	2,267
Write-back of impairment loss on other assets	24	-	58	1,600	58
<b>Profit before zakat and taxation</b>		<b>6,181</b>	<b>25,516</b>	<b>63,278</b>	<b>105,908</b>
Zakat		(365)	(211)	(805)	(289)
<b>Profit before taxation</b>		<b>5,816</b>	<b>25,305</b>	<b>62,473</b>	<b>105,619</b>
Taxation		(5,130)	(3,498)	(18,817)	(15,659)
<b>Net profit after zakat and taxation</b>		<b>686</b>	<b>21,807</b>	<b>43,656</b>	<b>89,960</b>
<b>Attributable to:</b>					
- Equity holders of the Bank		(1,479)	19,418	32,824	84,458
- Non-controlling interests		2,165	2,389	10,832	5,502
		<b>686</b>	<b>21,807</b>	<b>43,656</b>	<b>89,960</b>
Earnings per share:					
- basic/fully diluted (sen)		0.09	3.68	5.60	17.99

\* The Bank and its subsidiaries had changed their financial year end from 31 July 2014 to 31 December 2014. Therefore, the comparative figures stated in the preceding year corresponding period for 9 months are for comparison purposes only.

**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Unaudited Statement of Comprehensive Income  
for the financial period ended 30 September 2015**

The Group	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-09-2015 RM'000	Preceding Year* Corresponding Period 30-09-2014 RM'000	Current Financial Period-to-date 30-09-2015 RM'000	Preceding Year* Corresponding Period-to-date 30-09-2014 RM'000
<b>Net profit after zakat and taxation</b>	<b>686</b>	<b>21,807</b>	<b>43,656</b>	<b>89,960</b>
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	(55,555)	(1,226)	(41,047)	2,298
Net gain transferred to income statement on disposal	(4,848)	(946)	(18,522)	(1,833)
Share of available-for-sale reserve of an associate	-	-	-	(20)
Deferred tax on financial investments available-for-sale	15,619	510	15,472	(129)
<b>Other comprehensive income for the period, net of tax</b>	<b>(44,784)</b>	<b>(1,662)</b>	<b>(44,097)</b>	<b>316</b>
<b>Total comprehensive income for the period</b>	<b>(44,098)</b>	<b>20,145</b>	<b>(441)</b>	<b>90,276</b>
<b>Attributable to:</b>				
<b>Equity holders of the Bank</b>	<b>(46,886)</b>	<b>17,791</b>	<b>(11,969)</b>	<b>84,789</b>
<b>Non-controlling interests</b>	<b>2,788</b>	<b>2,354</b>	<b>11,528</b>	<b>5,487</b>
<b>Total comprehensive income</b>	<b>(44,098)</b>	<b>20,145</b>	<b>(441)</b>	<b>90,276</b>

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**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Unaudited Income Statements**  
**for the financial period ended 30 September 2015**

The Bank	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-09-2015 RM'000	Preceding Year* Corresponding Period 30-09-2014 RM'000	Current Financial Period-to-date 30-09-2015 RM'000	Preceding Year* Corresponding Period-to-date 30-09-2014 RM'000
Interest income	19	66,252	39,818	191,429	103,419
Interest expense	20	(48,430)	(24,732)	(134,397)	(64,116)
Net interest income		17,822	15,086	57,032	39,303
Other operating income	21	63,636	50,819	157,239	151,625
<b>Net income</b>		<b>81,458</b>	<b>65,905</b>	<b>214,271</b>	<b>190,928</b>
Other operating expenses	22	(64,769)	(51,259)	(179,401)	(109,985)
<b>Operating profit before loan and financing loss and allowance</b>		<b>16,689</b>	<b>14,646</b>	<b>34,870</b>	<b>80,943</b>
(Allowances) /write-back of losses on loans, advances and financing and receivables	23	387	705	(305)	2,267
Write-back of impairment loss on other assets	24	-	58	1,600	58
<b>Profit/(loss) before zakat and taxation</b>		<b>17,076</b>	<b>15,409</b>	<b>36,165</b>	<b>83,268</b>
Zakat		(325)	(127)	(705)	(135)
<b>Profit/(loss) before taxation</b>		<b>16,751</b>	<b>15,282</b>	<b>35,460</b>	<b>83,133</b>
Taxation		(2,305)	(724)	(7,199)	(10,751)
<b>Net profit/(loss) after zakat and taxation</b>		<b>14,446</b>	<b>14,558</b>	<b>28,261</b>	<b>72,382</b>
<b>Attributable to:</b>					
- Equity holders of the Bank		<b>14,446</b>	<b>14,558</b>	<b>28,261</b>	<b>72,382</b>
Earnings per share:					
- basic/fully diluted (sen)		1.85	2.76	3.62	14.48

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**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Unaudited Statement of Comprehensive Income  
for the financial period ended 30 September 2015**

The Bank	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30/9/2015 RM'000	Preceding Year* Corresponding Period 30/9/2014 RM'000	Current Financial Period-to-date 30/9/2015 RM'000	Preceding Year* Corresponding Period-to-date 30/9/2014 RM'000
<b>Net profit/(loss) after zakat and taxation</b>	<b>14,446</b>	<b>14,558</b>	<b>28,261</b>	<b>72,382</b>
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	(57,629)	(1,094)	(43,366)	2,348
Net gain transferred to income statement on disposal	(4,848)	(946)	(18,522)	(1,833)
Deferred tax on financial investments available-for-sale	15,619	510	15,472	(129)
<b>Other comprehensive income for the period, net of tax</b>	<b>(46,858)</b>	<b>(1,530)</b>	<b>(46,416)</b>	<b>386</b>
<b>Total comprehensive income for the period</b>	<b>(32,412)</b>	<b>13,028</b>	<b>(18,155)</b>	<b>72,768</b>
<b>Attributable to equity holders of the Bank:</b>				
<b>Total comprehensive income</b>	<b>(32,412)</b>	<b>13,028</b>	<b>(18,155)</b>	<b>72,768</b>

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## Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

### Unaudited Statement of Changes in Equity for the financial period ended 30 September 2015

	Attributable to equity holders of the Bank								Total equity RM'000
	Nominal value RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available -for-sale revaluation reserve RM'000	Retained profits RM'000	Sub-total RM'000	Non-Controlling interests RM'000	
<b>The Group</b>									
At 1 January 2015	780,000	219,800	199,071	3,556	5,479	207,165	1,415,071	30,329	1,445,400
<b>Comprehensive income:</b>									
Net profit for the financial period	-	-	-	-	-	32,824	32,824	10,832	43,656
<b>Other comprehensive income, (net of tax) -</b>									
Financial investments available-for-sale	-	-	-	-	(44,793)	-	(44,793)	696	(44,097)
<b>Total comprehensive income</b>	-	-	-	-	(44,793)	32,824	(11,969)	11,528	(441)
Transfer to statutory reserve	-	-	14,130	-	-	(14,130)	-	-	-
Transfer to regulatory reserve	-	-	-	1,816	-	(1,816)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(9,000)	(9,000)
At 30 September 2015	780,000	219,800	213,201	5,372	(39,314)	224,043	1,403,102	32,857	1,435,959
At 1 January 2014	500,000	-	148,861	-	2,304	231,613	882,778	291	883,069
<b>Comprehensive income:</b>									
Net profit for the financial period	-	-	-	-	-	84,458	84,458	5,502	89,960
<b>Other comprehensive income, (net of tax) -</b>									
Financial investments available-for-sale	-	-	-	-	331	-	331	(15)	316
<b>Total comprehensive income</b>	-	-	-	-	331	84,458	84,789	5,487	90,276
Transfer to regulatory reserve	-	-	-	3,826	-	(3,826)	-	-	-
Acquisition of equity interest	-	-	-	-	-	(67,057)	(67,057)	23,208	(43,849)
Disposal of subsidiary	-	-	-	-	-	-	-	(382)	(382)
Issuance of shares	280,000	219,800	-	-	-	-	499,800	-	499,800
At 30 September 2014*	780,000	219,800	148,861	3,826	2,635	245,188	1,400,310	28,604	1,428,914

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**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Unaudited Statement of Changes in Equity**  
**for the financial period ended 30 September 2015**

	Non-distributable					Distributable	
	Nominal value RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available -for-sale revaluation reserve RM'000	Retained profits RM'000	Total equity RM'000
<b>The Bank</b>							
At 1 January 2015	780,000	219,800	199,071	3,556	5,347	260,692	1,468,466
<b>Comprehensive income:</b>							
Net profit for the financial period	-	-	-	-	-	28,261	28,261
<b>Other comprehensive income:</b>							
<b>Other comprehensive income, (net of tax) -</b>							
Financial investments available-for-sale	-	-	-	-	(46,416)	-	(46,416)
<b>Total comprehensive income</b>	-	-	-	-	(46,416)	28,261	(18,155)
Transfer to regulatory reserve	-	-	-	1,816	-	(1,816)	-
Transfer to statutory reserve	-	-	14,130	-	-	(14,130)	-
At 30 September 2015	780,000	219,800	213,201	5,372	(41,069)	273,007	1,450,311
At 1 January 2014	500,000	-	148,861	-	2,284	231,153	882,298
<b>Comprehensive income:</b>							
Net profit for the financial period	-	-	-	-	-	72,382	72,382
<b>Other comprehensive income, (net of tax) -</b>							
Financial investments available-for-sale	-	-	-	-	386	-	386
<b>Total comprehensive income</b>	-	-	-	-	386	72,382	72,768
Transfer to regulatory reserve	-	-	-	3,826	-	(3,826)	-
Issuance of shares	280,000	219,800	-	-	-	-	499,800
At 30 September 2014*	780,000	219,800	148,861	3,826	2,670	299,709	1,454,866

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# Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

## Unaudited Statement of Cash Flows for the financial period ended 30 September 2015

	The Group		The Bank	
	30-09-2015 RM'000	30-09-2014* RM'000	30-09-2015 RM'000	30-09-2014* RM'000
<b>Cash flow from operating activities</b>				
Net profit before tax for the financial period	62,473	105,619	35,460	83,133
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income				
- financial assets held-for trading	(6,543)	(2,163)	(6,543)	(2,163)
- financial investments available-for-sale	(113,564)	(38,875)	(113,564)	(38,875)
- financial investments held-to-maturity	(7,370)	(14,613)	(7,370)	(14,613)
Dividend income from subsidiary	-	-	(21,000)	-
Dividend income from financial instruments	(10,687)	(9,694)	(9,235)	(9,029)
Gain on disposal of property, plant and equipment	(163)	(85)	(105)	(85)
Property and equipment written-off	76	19	51	19
Intangible assets written-off	6	-	-	-
Depreciation of property and equipment	4,095	2,292	2,434	1,421
Amortisation of intangible assets	1,023	469	446	48
Net (amortisation of premiums)/accretion of discounts	2,041	(567)	2,041	(567)
(Loss)/gain arising from disposal or redemption of :				
- derivative instruments	(20)	(369)	(20)	(369)
- financial assets held-for-trading	(17,621)	(36,727)	(18,462)	(36,727)
- financial investments available-for-sale	(20,035)	(2,289)	(19,655)	(2,027)
Unrealised gain/(loss) on derivative instruments	10,151	(6,247)	10,151	(6,247)
Unrealised (loss)/gain on financial assets held-for-trading	26	(194)	(200)	(181)
(Gain)/loss on disposal of investment properties	-	(38,674)	-	(38,674)
Gain on remeasurement/disposal of an associate	-	-	-	(4,378)
Net of collective impairment	(1,189)	(3,721)	(1,189)	(3,721)
Net of individual impairment	1,221	1,486	1,221	1,486
(Write-back)/impairment loss on :				
- financial investments available-for-sale	(46)	(58)	(46)	(58)
- financial investments held-to-maturity	(1,554)	-	(1,554)	-
Allowance for bad and doubtful debts on other debtors	328	-	328	-
Zakat	805	289	705	135
Bad debts written off	-	41	-	41
Bad debts recovered	(55)	-	(55)	(73)
Unrealised foreign exchange (gain)/loss	(25,248)	9,037	(27,996)	9,265
<i>Operating profit before changes in operating assets and liabilities</i>	(121,850)	(35,024)	(174,157)	(62,239)
<i>(Increase)/decrease in operating assets</i>				
Loans, advances and financing	(52,976)	170,283	(52,976)	170,356
Deposits and placements with banks and other financial institutions	99,993	49,199	99,993	49,199
Statutory deposits with Bank Negara Malaysia	(49,150)	19,926	(49,150)	19,926
Intercompany balances	-	(290)	6,295	-
Trade receivables	(113,666)	103,651	(90,194)	69,330
Derivative assets	(87,336)	(2,172)	(87,336)	(2,172)
Other assets	(121,348)	(13,521)	(114,570)	(750)
Financial assets held-for-trading	22,570	87,758	25,590	81,067
	(301,913)	414,834	(262,348)	386,956
<i>Increase/(decrease) in operating liabilities</i>				
Deposits from customers	661,093	289,297	620,880	301,681
Deposits and placements of banks and other financial institutions	(103,237)	(869,117)	(103,237)	(869,117)
Trade payables	(25,904)	(169,358)	27,101	(97,731)
Derivative liabilities	150,897	1,525	150,897	1,525
Other liabilities	25,165	(10,924)	13,965	(13,235)
	708,014	(758,577)	709,606	(676,877)
Cash generated from/(used in) operating activities	284,251	(378,767)	273,101	(352,160)

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**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Unaudited Statement of Cash Flows  
for the financial period ended 30 September 2015**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30-09-2015</b>	<b>30-09-2014*</b>	<b>30-09-2015</b>	<b>30-09-2014*</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities (continued)</b>				
Net taxation paid	(31,001)	(17,469)	(16,360)	(15,420)
<b>Net cash generated from operating activities</b>	<b>253,250</b>	<b>(396,236)</b>	<b>256,741</b>	<b>(367,580)</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of property and equipment	200	24	200	24
Purchase of property and equipment	(9,234)	(1,142)	(7,783)	(308)
Purchase of intangible assets	(5,837)	(418)	(5,263)	(4)
Interest received:				
- financial investments available-for-sale	113,564	38,875	113,564	38,875
- financial investments held-to-maturity	7,370	14,613	7,370	14,613
Net proceeds on (purchase)/disposal of financial investments available-for-sale	(629,820)	312,156	(626,775)	276,675
Net proceeds on purchase of financial investments held-to-maturity	91,011	118,470	91,011	118,470
Proceeds from sale of other investments	-	23	-	23
Amount received from Bursa Malaysia Derivatives arising from revamp of its participantship 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	3,467	(612,994)	3,467	(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
Issuance of shares	-	499,800	-	499,800
Dividend income received from:				
- financial investments available-for-sale	8,952	7,774	7,723	7,774
<b>Net cash (used in)/generated from investing activities</b>	<b>(420,327)</b>	<b>445,885</b>	<b>(416,486)</b>	<b>302,587</b>
<b>Cash flow from financing activities</b>				
Subordinated loan to a subsidiary	-	-	-	(5,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(167,077)</b>	<b>49,649</b>	<b>(159,745)</b>	<b>(69,993)</b>
Cash and cash equivalents at beginning of the financial year/period	606,686	543,997	368,442	541,569
<b>Cash and cash equivalents at end of the financial year/period</b>	<b>439,609</b>	<b>593,646</b>	<b>208,697</b>	<b>471,576</b>
<b>Analysis of cash and cash equivalents</b>				
<b>Cash and short term funds</b>	<b>492,278</b>	<b>694,287</b>	<b>261,366</b>	<b>521,112</b>
<b>Amount held on behalf of clients and commissioned dealers representatives</b>	<b>(52,669)</b>	<b>(100,641)</b>	<b>(52,669)</b>	<b>(49,536)</b>
<b>Cash and cash equivalents at end of the financial year/period</b>	<b>439,609</b>	<b>593,646</b>	<b>208,697</b>	<b>471,576</b>

\* The Bank and its subsidiaries had changed their financial year end from 31 July 2014 to 31 December 2014. Therefore, the comparative figures stated in the preceding year corresponding period for 9 months are for comparison purposes only.

# **Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the financial statement for the financial period ended 30 September 2015**

### **1. Review of financial performance**

The Group recorded a Profit Before Tax ("PBT") of RM62.5 million for the 9 months period ended 30 September 2015 compared to a PBT of RM105.6 million for the previous corresponding period. The investment banking subsidiary contributed RM35.5 million (14 months to 30.9.2014: RM83.1 million) and the asset management business (acquired in April 2014) contributed RM47.7 million (6 months to 30.9.2014 - PBT of RM23.0 million) to the Group's profit in the current period under review. The Group's profit contribution in the previous financial period included an exceptional net gain on disposals of investment properties of RM38.7 million.

Summarised analysis of the Group PBT for the 9 months period is as follows:

- Net interest income of RM59.9 million was 45.0% higher than the net interest income of RM41.3 million recorded in the previous corresponding period primarily due to higher average interest earning assets in the current period under review, in line with enlarged assets of the investment banking and asset management businesses.
- Other operating income registered an increase from RM256.4 million in the previous corresponding period to RM320.1 million in current period under review. The increase was primarily due to contributions from the unit trusts' management and incentive fees as well as initial service fee income from the fund and asset management businesses. The increase was also attributable to higher brokerage income, higher net foreign exchange gains, offset by lower net investment gains generated by the stockbroking and investment bank activities during the current period under review.
- Operating expenses recorded for the period under review were higher at RM317.9 million compared to RM194.2 million incurred in the previous corresponding period. The increase was mainly due to higher personnel costs, higher marketing and establishment expenses arising from the enlarged entity.
- Writeback of impairment losses on other assets of RM1.6 million was in respect of maturity of an unquoted loan stock on 30 June 2015. The net write-back of RM2.3 million in the previous corresponding period was mainly due to loan repayments.

### **2. Prospect for the current financial period**

Notwithstanding the prolonged bearish market conditions and volatility in the global and domestic financial markets, the Group continues to look forward to its first full year of operating as a merged entity upon successfully completed its merger exercise in the last quarter of 2014, which together with collaboration with Daiwa Securities Group Inc., of Japan has created a leading domestic stockbroking position for the Group. However, the Group takes cognizant of the increasingly-competitive operating environment for the investment banking industry as a whole, whereby the stockbroking volume and capital market assignments are highly dependent on the overall market sentiments. The Group will continue to build resilience across its businesses and drive efficiency savings in all its business operations under current dampening investor sentiments and volatile market conditions.

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. Moving forward as a merged asset management group that is backed by an investment bank, the segment is optimistic on its combined performance and its ability to offer a wider range of products and services to its enlarged clientele.

**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015**

**3. Basis of preparation**

The unaudited condensed interim financial statements for the 9 months period ended 30 September 2015 have 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 period ended 31 December 2014. 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 financial period ended 31 December 2014.

**4. Qualification of preceding annual financial statements**

The Bank's financial statements for financial period ended 31 December 2014 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 merger of the business and assets and liabilities of AFFIN Hwang Futures Sdn Bhd as disclosed in explanatory note 9 and the Group's staff rationalisation exercise amounting to RM10.10 million.

**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.

**8. Litigations against the Bank**

There were no material litigations as at 30 September 2015 which would materially affect the financial position or business of the Group.

**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the financial statement**  
**for the financial period ended 30 September 2015**

**9. Significant Events**

On 30 January 2015, AFFIN Hwang Investment Bank Berhad ("AHIB") and AFFIN Hwang Futures Sdn Bhd ("AHF") entered into a business transfer agreement ("Business Transfer Agreement") for the transfer of the whole of the assets, liabilities and business undertakings of AHF as a going concern to AHIB for a cash consideration of RM10.86 million ("Transfer"). The purchase consideration was based on the net asset value of AHF minus excluded assets as set out in the Business Transfer Agreement based on the management accounts of AHF as at the month end before the effective date of 28 February 2015. A Vesting Order pursuant to Section 139 of the Capital Markets and Services Act 2007 was obtained from the High Court of Malaya on 12 February 2015. The Transfer was completed on 28 February 2015 and AHF had ceased its provision for futures broking business, which was then assumed by AHIB. Pursuant to the completion of the Transfer, AHF had surrendered its Capital Markets Services License to the Securities Commission accordingly.

The net assets of AHF transferred to AHIB based on its carrying values as at 31 January 2015 are summarised below:

	<b>AHF</b> <b>RM'000</b>
<b>Assets</b>	
Cash and short-term funds	76
Deposits and placements with financial institutions	14,250
Assets segregated for customers	45,056
Other assets	1,663
Property and equipment	120
<b>Total Assets</b>	<b>61,165</b>
<b>Liabilities</b>	
Client balances	45,056
Subordinated loan from holding company	5,000
Other liabilities	250
<b>Total Liabilities</b>	<b>50,306</b>
<b>Net assets acquired/ cost of merger</b>	<b>10,859</b>
Less: Cash and short term funds acquired	(14,326)
<b>Net cash flow arising from the merger</b>	<b>(3,467)</b>

**10. Changes in the composition of the Bank**

There is no change to the composition of the Bank as at end of the reporting period.

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****11. Securities portfolio**

	The Group		The Bank	
	30-09-2015 RM'000	31-12-2014 RM'000	30-09-2015 RM'000	31-12-2014 RM'000
<b><u>Classification of securities portfolio:</u></b>				
<b>(i) Financial assets held-for-trading</b>				
<u>At fair value</u>				
<u>Quoted securities</u>				
In Malaysia:				
Shares, warrants and REITS	24,999	18,903	24,999	18,903
Unit trusts	7,745	8,983	-	-
Outside Malaysia:				
Shares, warrants and REITS	3,414	238	-	-
	36,158	27,886	24,999	18,903
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	-	4,990	-	4,990
	<b>36,158</b>	<b>32,876</b>	<b>24,999</b>	<b>23,893</b>
<b>(ii) Financial investments held-to-maturity</b>				
<u>At amortised cost</u>				
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	86,799	176,346	86,799	176,346
Redeemable Convertible Secured Loan Stocks	-	1,554	-	1,554
	86,799	177,900	86,799	177,900
Allowance for impairment of securities	-	(1,554)	-	(1,554)
	<b>86,799</b>	<b>176,346</b>	<b>86,799</b>	<b>176,346</b>
<b>(iii) Financial investments available-for-sale</b>				
<u>At fair value</u>				
<u>Money Market Instruments</u>				
Malaysian Government Securities	50,093	80,967	50,093	80,967
Malaysian Government Sukuk	-	7,096	-	7,096
Malaysian Government Islamic Investment Issues	746,698	866,515	746,698	866,515
Cagamas Bonds	-	84,924	-	84,924
Sukuk Perumahan Kerajaan	96,310	48,642	96,310	48,642
Negotiable Instruments of Deposit	80,829	80,116	80,829	80,116
	973,930	1,168,260	973,930	1,168,260
<u>Quoted securities</u>				
In Malaysia:				
Shares	17,817	19,488	17,817	19,488
Unit Trusts	241,179	242,902	195,389	201,856
REITS	36,952	35,546	36,952	35,546
Outside Malaysia:				
REITS	41,216	37,367	41,216	37,367
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	2,618,540	1,781,304	2,617,540	1,781,304
Private Debt Securities outside Malaysia	219,449	315,294	219,449	315,294
Shares in Malaysia	20,323	19,001	20,323	19,001
	4,169,406	3,619,162	4,122,616	3,578,116
Allowance for impairment of securities	(2,313)	(41,414)	(2,313)	(41,414)
	<b>4,167,093</b>	<b>3,577,748</b>	<b>4,120,303</b>	<b>3,536,702</b>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****12. Loans, advances and financing****(i) By type of Loan/Financing**

	<b>The Group and the Bank</b>	
	<b>30-09-2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans/financing		
- Syndicated term loan/financing	287,013	399,497
- Other term loans/financing	537,689	437,022
Staff loans	7,813	8,102
Share margin financing	151,776	207,186
Revolving credits	46,565	17,258
Receivables	91,117	-
Gross loans, advances and financing	<u>1,121,973</u>	<u>1,069,065</u>
Less :		
Allowances for impaired loans, advances and financing		
- Individual allowance	(25,001)	(24,239)
- Collective allowance	(7,796)	(8,982)
Total net loans, advances and financing	<u><b>1,089,176</b></u>	<u><b>1,035,844</b></u>

**(ii) By Type of Customers**

Domestic business enterprises		
- Small medium enterprises	99,096	24,292
- Others	695,335	727,598
Domestic non-bank financial institutions	71,884	-
Individuals	251,599	312,635
Foreign business enterprises	1,299	1,456
Foreign individuals	2,760	3,084
Total gross loans, advances and financing	<u>1,121,973</u>	<u>1,069,065</u>

**(iii) By Interest/Profit Rate Sensitivity**

Fixed rate		
- Housing loans/financing	4,655	4,620
- Other fixed rate loans/financing	3,158	3,481
- Receivables	91,117	-
- Share margin financing	151,776	207,186
Variable rate		
- Cost-plus	871,267	853,778
Total gross loans, advances and financing	<u>1,121,973</u>	<u>1,069,065</u>

**(iv) By Economic Purpose**

Purchase of securities	447,198	374,424
Working capital	324,581	211,146
Others	111,403	250,398
Merger and acquisition	84,049	106,753
Purchase of transport vehicles	55,857	50,614
Construction	55,068	29,111
Purchase of landed properties (residential)	25,327	4,620
Purchase of landed properties (non-residential)	18,391	41,810
Personal use	99	189
Total gross loans, advances and financing	<u>1,121,973</u>	<u>1,069,065</u>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****12. Loans, advances and financing (continued)**

	<b>The Group and the Bank</b>	
	<b>30-09-2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>(v) By Sector</u></b>		
Household	254,359	315,719
Transport, storage and communication	141,109	69,519
Finance, insurance and business services	131,359	91,242
Construction	131,186	121,831
Wholesale retail trade and restaurant and hotels	115,105	65,618
Real estate	89,129	55,499
Electricity, gas and water	72,707	123,169
Mining and quarrying	67,911	44,159
Education, health & others	56,226	152,073
Manufacturing	52,266	22,500
Others	10,616	7,736
Total gross loans, advances and financing	<u>1,121,973</u>	<u>1,069,065</u>
<b><u>(vi) By Geographical Distribution</u></b>		
Wilayah Persekutuan	609,468	585,095
Selangor	377,451	344,153
Johor	107,523	108,671
Pulau Pinang	12,532	15,075
Sarawak	8,021	7,047
Perak	1,525	1,978
Negeri Sembilan	775	1,344
Sabah	417	887
Kedah	203	276
Outside Malaysia	4,058	4,539
Total gross loans, advances and financing	<u>1,121,973</u>	<u>1,069,065</u>
<b><u>(vii) By maturity structure</u></b>		
Maturing within one year	302,379	419,690
One year to three years	277,619	169,974
Three years to five years	249,204	304,944
Over five years	292,771	174,457
Total gross loans, advances and financing	<u>1,121,973</u>	<u>1,069,065</u>
<b><u>(viii) Movement of impaired loans, advances and financing</u></b>		
At beginning of the financial year/period	34,128	-
Vested from AFFIN Investment Bank Berhad ("AFFIN IB")	-	34,192
New loans classified as impaired during the financial year/period	32,655	-
Amount written-off	(122)	-
Amount recovered	(55)	(64)
At end of the financial year/period	<u>66,606</u>	<u>34,128</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>5.94%</u>	<u>3.19%</u>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****12. Loans, advances and financing (continued)**

**The Group and the Bank**  
**30-09-2015**                      **31-12-2014**  
**RM'000**                              **RM'000**

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

At beginning of the financial year/period	24,239	-
Vested from AFFIN IB	-	20,269
Allowance made	884	3,970
Amount written-off	(122)	-
At end of the financial year/period	<u>25,001</u>	<u>24,239</u>

**Collective allowance**

At beginning of the financial year/period	8,982	5,476
Vested from AFFIN IB	-	7,388
Allowance made	2,285	-
Amount written-back	(3,471)	(3,882)
At end of the financial year/period	<u>7,796</u>	<u>8,982</u>

**(x) Impaired loans, advances and financing analysed by their economic purpose**

Working capital	33,951	34,006
Purchase of landed properties (non-residential)	18,391	-
Purchase of securities	-	122
Construction	4,572	-
Other purpose	9,692	-
Total impaired loans, advances and financing	<u>66,606</u>	<u>34,128</u>

**(xi) Impaired loans, advances and financing analysed by their economic sector**

Manufacturing	22,500	22,500
Wholesale retail trade and restaurant and hotels	11,451	11,506
Real estate	32,655	-
Household	-	122
Total impaired loans, advances and financing	<u>66,606</u>	<u>34,128</u>

**(xii) Impaired loans, advances, and financing by geographical distribution**

Selangor	66,606	34,006
Wilayah Persekutuan	-	122
Total impaired loans, advances and financing	<u>66,606</u>	<u>34,128</u>



**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****13. Trade receivables**

	The Group		The Bank	
	30-09-2015 RM'000	31-12-2014 RM'000	30-09-2015 RM'000	31-12-2014 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	72,248	48,776	-	-
Amount due from clients (a)	338,476	321,850	338,476	321,850
Amount due from brokers	69,937	34,125	69,937	34,125
Amount due from Bursa Securities Clearing Sdn. Bhd.	64,605	26,849	64,605	26,849
	<u>545,266</u>	<u>431,600</u>	<u>473,018</u>	<u>382,824</u>
Less : Allowance for bad and doubtful accounts (b)				
- Individual allowance	(4,420)	(4,083)	(4,420)	(4,083)
- Collective allowance	(16)	(19)	(16)	(19)
	<u><b>540,830</b></u>	<u><b>427,498</b></u>	<u><b>468,582</b></u>	<u><b>378,722</b></u>

**The Group and the Bank**

30-09-2015 RM'000	31-12-2014 RM'000
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**(a) Movement of impaired amount due from clients are as follows:**

At beginning of the financial year/period	4,420	692
Vested from AFFIN IB	-	3,727
Addition during the year/period	-	140
Amount recovered	-	(139)
At end of the financial year/period	<u>4,420</u>	<u>4,420</u>

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

At beginning of the financial year/period	4,083	539
Vested from AFFIN IB	-	3,727
Allowance made	403	259
Amount written back	(66)	(420)
Amount written off	-	(22)
At end of the financial year/period	<u>4,420</u>	<u>4,083</u>

**Collective allowance**

At beginning of the financial year/period	19	-
Vested from AFFIN IB	-	118
Allowance made	30	103
Amount written-back	(33)	(202)
At end of the financial year/period	<u>16</u>	<u>19</u>

**14. Other assets**

	The Group		The Bank	
	30-09-2015 RM'000	31-12-2014 RM'000	30-09-2015 RM'000	31-12-2014 RM'000
Other debtors, deposits and prepayments	194,281	68,035	188,425	65,172
Clearing Guarantee Fund	982	2,731	982	2,731
Clearing Fund	1,000	1,000	1,000	-
Transferable membership	210	110	110	10
Allowance for bad and doubtful debts (a)	(10,222)	(9,894)	(10,222)	(9,894)
	<u><b>186,251</b></u>	<u><b>61,982</b></u>	<u><b>180,295</b></u>	<u><b>58,019</b></u>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****14. (a) Movement in allowances are as follows:**

	<b>The Group and the Bank</b>	
	<b>30-09-2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Individual allowance</b>		
At beginning of the financial year/period	9,894	510
Vested from AFFIN IB	-	9,616
Allowance made	328	278
Amount written back	-	(170)
Amount written off	-	(340)
At end of the financial year/period	<u>10,222</u>	<u>9,894</u>

**15. Deposit from customers**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30-09-2015</b>	<b>31-12-2014</b>	<b>30-09-2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>By type of deposits:</b>				
Fixed deposits	3,250,693	2,578,945	3,250,693	2,619,158
Negotiable instruments of deposits	913,449	865,155	913,449	865,155
Other deposits	101,110	160,060	101,110	160,060
	<u>4,265,252</u>	<u>3,604,160</u>	<u>4,265,252</u>	<u>3,644,373</u>
<b>By maturity structure:</b>				
Due within six months	3,200,135	2,613,650	3,200,135	2,653,863
Six months to one year	363,857	202,819	363,857	202,819
More than one year	701,260	787,691	701,260	787,691
	<u>4,265,252</u>	<u>3,604,160</u>	<u>4,265,252</u>	<u>3,644,373</u>
<b>By type of customer:</b>				
Government and statutory bodies	581,603	619,959	581,603	619,959
Business enterprises	1,091,191	696,593	1,091,191	736,806
Individuals	75,078	75,478	75,078	75,478
Others	2,517,380	2,212,130	2,517,380	2,212,130
	<u>4,265,252</u>	<u>3,604,160</u>	<u>4,265,252</u>	<u>3,644,373</u>

**16. Deposit and placements of banks and other financial institution**

	<b>The Group and the Bank</b>	
	<b>30-09-2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	640,967	821,478
Licensed investment banks	117,411	40,137
	<u>758,378</u>	<u>861,615</u>

**17. Trade payables**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30-09-2015</b>	<b>31-12-2014</b>	<b>30-09-2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to unit trust funds	117,244	141,521	-	-
Amount due to unit holders	48,237	30,800	-	-
Amount due to external fund managers	47	86	-	-
Amount due to clients	181,497	309,184	181,497	309,184
Amount due to brokers	250,463	100,390	250,463	54,099
Amount due to related party	350	185	-	-
	<u>597,838</u>	<u>582,166</u>	<u>431,960</u>	<u>363,283</u>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****18. Other liabilities**

	The Group		The Bank	
	30-09-2015 RM'000	31-12-2014 RM'000	30-09-2015 RM'000	31-12-2014 RM'000
Commissioned dealer's representative trust balances	47,038	48,183	47,038	48,183
Amounts payable to dealer's representative	3,213	5,727	3,213	5,727
Other liabilities	161,695	149,467	84,710	89,501
	<b>211,946</b>	<b>203,377</b>	<b>134,961</b>	<b>143,411</b>

**19. Interest income**

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended 30-09-2015 RM'000	Period ended 30-09-2014 RM'000	Period-to-date 30-09-2015 RM'000	Period-to-date 30-09-2014 RM'000
Loans, advances and financing				
- Interest income on loans and advances	13,698	5,332	37,967	12,191
- Margin financing	2,464	3,461	10,772	10,199
- IPO financing	74	60	74	60
Money at call and deposit placements with financial institutions	3,754	7,416	14,904	22,216
Derivative instruments	1,427	1,487	4,625	4,234
Financial assets held-for-trading	4,171	726	6,543	2,163
Financial investment available-for-sale	40,159	16,911	113,564	38,875
Financial investment held-to-maturity	2,203	5,178	7,370	14,613
Others	166	98	463	279
	68,116	40,669	196,282	104,830
Net accretion of discounts less amortisation of premiums	(949)	190	(2,041)	567
	<b>67,167</b>	<b>40,859</b>	<b>194,241</b>	<b>105,397</b>
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 30-09-2015 RM'000	Period ended 30-09-2014 RM'000	Period-to-date 30-09-2015 RM'000	Period-to-date 30-09-2014 RM'000
Loans, advances and financing				
- Interest income on loans and advances	13,698	5,332	37,967	12,191
- Margin financing	2,464	3,461	10,772	10,199
- IPO financing	74	60	74	60
Money at call and deposit placements with financial institutions	2,839	6,375	12,092	20,238
Derivative instruments	1,427	1,487	4,625	4,234
Financial assets held-for-trading	4,171	726	6,543	2,163
Financial investment available-for-sale	40,159	16,911	113,564	38,875
Financial investment held-to-maturity	2,203	5,178	7,370	14,613
Others	166	98	463	279
	67,201	39,628	193,470	102,852
Net accretion of discounts less amortisation of premiums	(949)	190	(2,041)	567
	<b>66,252</b>	<b>39,818</b>	<b>191,429</b>	<b>103,419</b>
of which:				
Interest income earned on impaired loans, advances and financing	-	-	-	-

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****20. Interest expense**

	<b>The Group</b>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>
	<b>Period ended</b>	<b>Period ended</b>	<b>Period-to-date</b>	<b>Period-to-date</b>
	<b>30-09-2015</b>	<b>30-09-2014</b>	<b>30-09-2015</b>	<b>30-09-2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	43,842	22,078	121,647	58,957
Deposits and placements of banks and other financial institutions	3,554	1,300	9,338	1,869
Derivative instruments	661	452	1,850	1,329
Foreign currency borrowings	183	644	1,058	1,403
Others	190	228	480	490
	<b>48,430</b>	<b>24,702</b>	<b>134,373</b>	<b>64,048</b>

	<b>The Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>
	<b>Period ended</b>	<b>Period ended</b>	<b>Period-to-date</b>	<b>Period-to-date</b>
	<b>30-09-2015</b>	<b>30-09-2014</b>	<b>30-09-2015</b>	<b>30-09-2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	43,842	22,183	121,647	59,163
Deposits and placements of banks and other financial institutions	3,554	1,300	9,405	1,869
Derivative instruments	661	452	1,850	1,329
Foreign currency borrowings	183	644	1,058	1,403
Others	190	153	437	352
	<b>48,430</b>	<b>24,732</b>	<b>134,397</b>	<b>64,116</b>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****21. Other operating income**

	The Group			
	Individual Quarter Current Financial Period ended 30-09-2015 RM'000	Preceding Year Financial Period ended 30-09-2014 RM'000	Cumulative Quarter Current Financial Period-to-date 30-09-2015 RM'000	Preceding Year Financial Period-to-date 30-09-2014 RM'000
<b>Fees income</b>				
Fees on loans, advances and financing	811	156	1,445	1,883
Corporate advisory fees	258	748	3,333	1,554
Underwriting commissions and placement fees	198	343	4,379	480
Unit trust management and incentive fee	39,832	34,222	125,322	68,254
Brokerage	20,869	20,209	66,535	50,057
Initial service charge	12,864	21,294	53,695	32,920
Agency fees	222	297	1,346	317
Arrangement fees	75	-	2,917	-
Others	380	643	2,633	2,441
<b>Income from financial instruments</b>				
Gains arising on financial assets held-for-trading				
- net gain on disposal	5,583	18,423	17,621	36,727
- unrealised (loss)/gain	(236)	(214)	(26)	194
- gross dividend income	555	885	1,735	1,920
Gains on derivative instruments				
- net gain on disposal	-	353	20	369
- unrealised (loss)/gain	(3,995)	1,085	(10,151)	6,247
Gains arising on financial investments available-for-sale				
- net gain on disposal	5,968	1,305	20,035	2,289
- gross dividend income	3,530	2,920	8,952	7,774
<b>Other income</b>				
Foreign exchange (loss)/gain				
- realised	(19,926)	2,816	(6,558)	7,122
- unrealised	29,243	(2,392)	25,248	(9,037)
Gain on disposal of property, plant and equipment	68	-	163	85
Other non-operating income	523	3,940	1,418	44,790
	<b>96,822</b>	<b>107,033</b>	<b>320,062</b>	<b>256,386</b>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****21. Other operating income (continued)**

	The Bank			
	Individual Quarter Current Financial Period ended 30-09-2015 RM'000	Preceding Year Financial Period ended 30-09-2014 RM'000	Cumulative Quarter Current Financial Period-to-date 30-09-2015 RM'000	Preceding Year Financial Period-to-date 30-09-2014 RM'000
<b>Fees income</b>				
Fees on loans, advances and financing	811	156	1,445	1,883
Corporate advisory fees	258	748	3,333	1,554
Underwriting commissions and placement fees	50	110	3,535	247
Brokerage	20,869	19,722	66,164	48,898
Agency fees	222	297	1,346	317
Arrangement fees	75	-	2,917	-
Others	227	269	1,893	665
<b>Income from financial instruments</b>				
Gains arising on financial assets held-for-trading				
- net gain on disposal	6,310	18,423	18,462	36,727
- unrealised gain/(loss)	174	(222)	200	181
- gross dividend income	475	574	1,512	1,255
Gains on derivative instruments				
- net gain on disposal	-	353	20	369
- unrealised (loss)/gain	(3,995)	1,085	(10,151)	6,247
Gains arising on financial investments available-for-sale				
- net gain on disposal	5,554	1,043	19,655	2,027
- gross dividend income	3,137	2,920	7,723	7,774
Gross dividend income				
- subsidiary	21,000	-	21,000	500
<b>Other income</b>				
Foreign exchange (loss)/gain				
- realised	(24,650)	3,138	(11,422)	7,516
- unrealised	32,504	(2,613)	27,996	(9,265)
Gain on disposal of property and equipment	10	-	105	85
Gain on disposal of a associate	-	4,378	-	4,378
Other non-operating income	605	438	1,506	40,267
	<b>63,636</b>	<b>50,819</b>	<b>157,239</b>	<b>151,625</b>

# Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the financial statement for the financial period ended 30 September 2015

### 22. Other operating expenses

	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
30-09-2015	30-09-2014	30-09-2015	30-09-2014	
	RM'000	RM'000	RM'000	RM'000
<b>Personnel costs</b>				
Salaries, allowances and bonuses	36,848	35,500	117,686	71,099
Contributions to defined contribution plan	7,804	4,400	20,857	9,231
Other personnel costs	16,129	6,072	29,836	10,700
	<u>60,781</u>	<u>45,972</u>	<u>168,379</u>	<u>91,030</u>
<b>Promotion and marketing-related expenses</b>				
Business promotion and advertisement	1,917	2,721	8,786	4,486
Entertainment	378	363	1,253	766
Travelling and accommodation	859	424	2,215	859
Dealers' performance incentive	1,903	2,949	5,842	6,231
Commission and brokerage expenses	18,691	22,386	58,249	40,220
Dealers' handling fees	1,199	620	6,900	5,022
Others	1,523	1,435	4,253	1,614
	<u>26,470</u>	<u>30,898</u>	<u>87,498</u>	<u>59,198</u>
<b>Establishment-related expenses</b>				
Rental of premises	4,450	3,445	13,365	8,549
Equipment rental	705	617	1,535	1,569
Repair and maintenance	518	1,404	3,991	3,192
Depreciation of property and equipment	1,327	794	4,095	2,292
Amortisation of intangible assets	332	469	1,023	469
Electricity, water and sewerage	725	655	2,216	1,678
Insurance and indemnities	255	199	1,057	402
	<u>8,312</u>	<u>7,583</u>	<u>27,282</u>	<u>18,151</u>
<b>General administrative expenses</b>				
Directors' remuneration (Note: 22(i))	419	467	1,689	987
Telecommunication expenses	2,328	2,175	7,370	5,654
Professional fees	3,282	2,590	5,331	3,630
Auditors' remuneration	141	235	425	231
Property, plant & equipment written off	50	1	76	19
Intangible assets written off	-	-	6	-
Subsidies	1,734	76	2,271	76
Transaction levy	2,165	1,841	6,643	4,843
Subscription	1,592	362	3,843	536
Others	2,491	6,237	7,134	9,797
	<u>14,202</u>	<u>13,984</u>	<u>34,788</u>	<u>25,773</u>
<b>Total other operating expenses</b>	<u><u>109,765</u></u>	<u><u>98,437</u></u>	<u><u>317,947</u></u>	<u><u>194,152</u></u>

### 22 (i) Directors' Remuneration

	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
30-09-2015	30-09-2014	30-09-2015	30-09-2014	
	RM'000	RM'000	RM'000	RM'000
<b>Non-executive directors</b>				
- fees	340	284	1,438	680
- other emoluments*	79	168	251	292
- estimate money value of benefit-in-kind	-	15	-	15
	<u>419</u>	<u>467</u>	<u>1,689</u>	<u>987</u>

\* Other emoluments comprise mainly fixed allowances and meeting allowances.

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****22. Other operating expenses (continued)**

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended 30-09-2015 RM'000	Period ended 30-09-2014 RM'000	Period-to-date 30-09-2015 RM'000	Period-to-date 30-09-2014 RM'000
<b>Personnel costs</b>				
Salaries, allowances and bonuses	25,870	26,847	82,977	52,652
Contributions to defined contribution plan	5,682	2,489	13,669	5,200
Other personnel costs	11,972	1,677	18,528	3,762
	<u>43,524</u>	<u>31,013</u>	<u>115,174</u>	<u>61,614</u>
<b>Promotion and marketing-related expenses</b>				
Business promotion and advertisement	466	94	1,555	206
Entertainment	179	152	616	401
Travelling and accommodation	415	112	1,080	267
Dealers' performance incentive	1,903	2,933	5,831	4,571
Commission and brokerage expenses	76	65	235	141
Dealers' handling fees	1,199	697	6,900	6,644
Others	(4)	5	-	180
	<u>4,234</u>	<u>4,058</u>	<u>16,217</u>	<u>12,410</u>
<b>Establishment-related expenses</b>				
Rental of premises	3,730	2,850	11,169	7,546
Equipment rental	96	332	281	1,042
Repair and maintenance	613	1,016	2,874	2,628
Depreciation of property and equipment	763	556	2,434	1,421
Amortisation of intangible assets	145	48	446	48
Electricity, water and sewerage	640	594	1,966	1,564
Insurance and indemnities	181	126	823	327
	<u>6,168</u>	<u>5,522</u>	<u>19,993</u>	<u>14,576</u>
<b>General administrative expenses</b>				
Directors' remuneration (Note: 22(i))	251	391	1,199	891
Telecommunication expenses	1,866	1,862	5,940	5,089
Professional fees	824	275	1,439	379
Auditors' remuneration	105	190	320	173
Property, plant & equipment written off	50	1	51	19
Subsidies	1,734	76	2,271	76
Transaction levy	2,165	1,841	6,643	4,843
Subscription	1,592	317	3,692	491
Research expenses	-	-	-	795
Others	2,256	5,713	6,462	8,629
	<u>10,843</u>	<u>10,666</u>	<u>28,017</u>	<u>21,385</u>
<b>Total other operating expenses</b>	<u><b>64,769</b></u>	<u><b>51,259</b></u>	<u><b>179,401</b></u>	<u><b>109,985</b></u>

**22 (i) Directors' Remuneration**

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
	Period ended 30-09-2015 RM'000	Period ended 30-09-2014 RM'000	Period-to-date 30-09-2015 RM'000	Period-to-date 30-09-2014 RM'000
<b>Non-executive directors</b>				
- fees	222	245	1,086	626
- other emoluments*	29	146	113	265
- estimate money value of benefit-in-kind	-	-	-	-
	<u>251</u>	<u>391</u>	<u>1,199</u>	<u>891</u>

\* Other emoluments comprise mainly fixed allowances and meeting allowances.



**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****23. Allowance for losses on loans, advances and financing and receivables**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>
	<b>Period ended</b>	<b>Period ended</b>	<b>Period-to-date</b>	<b>Period-to-date</b>
<b>30-09-2015</b>	<b>30-09-2014</b>	<b>30-09-2015</b>	<b>30-09-2014</b>	
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
(Allowance)/write-back for losses on loans, advances and financing and trade receivables:				
Individual allowance				
- Made during the financial year/period	(1,139)	(1,658)	(1,287)	(1,779)
- Written back during the financial year/period	-	24	66	293
Collective allowance				
- Made during the financial year/period	(392)	(34)	(2,315)	(39)
- Written back during the financial year/period	2,145	2,366	3,504	3,760
Bad debts recovered	25	7	55	73
Bad debts written off	-	-	-	(41)
(Write-back)/allowance for other bad and doubtful debt:				
- Trade debtors	(252)	-	(328)	-
	<u>387</u>	<u>705</u>	<u>(305)</u>	<u>2,267</u>

**24. Writeback of impairment loss on other assets**

	<b>The Group and the Bank</b>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current</b>	<b>Preceding Year</b>	<b>Current</b>	<b>Preceding Year</b>
	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>	<b>Financial</b>
	<b>Period ended</b>	<b>Period ended</b>	<b>Period-to-date</b>	<b>Period-to-date</b>
<b>30/9/2015</b>	<b>30/9/2014</b>	<b>30/9/2015</b>	<b>30/9/2014</b>	
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Writeback of impairment loss on -				
- Financial investments held-to-maturity	-	-	1,554	-
- Financial investments available for sale	-	58	46	58
	<u>-</u>	<u>58</u>	<u>1,600</u>	<u>58</u>

**Affin Hwang Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015****25. Capital adequacy**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30/9/2015</b>	<b>31-12-2014</b>	<b>30/9/2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Basel III</b>				
<b>Common Equity Tier (CET) 1 Capital :</b>				
Paid-up share capital	780,000	780,000	780,000	780,000
Share premium	219,800	219,800	219,800	219,800
Statutory reserve	213,201	199,071	213,201	199,071
Retained profits	240,246	210,721	278,379	264,248
Unrealised gains on AFS instruments	(39,314)	5,479	(41,069)	5,347
	<u>1,413,933</u>	<u>1,415,071</u>	<u>1,450,311</u>	<u>1,468,466</u>
Less : Regulatory adjustment				
Goodwill and Intangible assets	(325,614)	(320,806)	(319,583)	(314,772)
Investment in subsidiaries /associates	-	-	(118,938)	(124,563)
Collective allowance reserve	(5,372)	(3,556)	(5,372)	(3,556)
55% of unrealised gains on AFS instruments	-	(3,013)	-	(2,941)
Deferred tax assets	(18,741)	(10,836)	(15,561)	(5,990)
Total CET 1 capital	<u>1,064,206</u>	<u>1,076,860</u>	<u>990,857</u>	<u>1,016,644</u>
<b>Additional Tier 1 Capital</b>				
Non-controlling interests	3,000	3,000	-	-
Total CET 1 capital / Tier 1 capital (a)	<u>1,067,206</u>	<u>1,079,860</u>	<u>990,857</u>	<u>1,016,644</u>
<b>Tier 2 capital</b>				
Collective allowance for financing & trade receivables	13,183	12,557	13,183	12,557
Less : Regulatory adjustment				
Investment in subsidiaries	-	-	(13,183)	(12,557)
Total Tier 2 capital (b)	<u>13,183</u>	<u>12,557</u>	<u>-</u>	<u>-</u>
<b>Total Capital (a) + (b)</b>	<u><b>1,080,389</b></u>	<u><b>1,092,417</b></u>	<u><b>990,857</b></u>	<u><b>1,016,644</b></u>
Proposed dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital Ratio</b>				
CET 1 capital ratio	27.589%	30.224%	28.643%	30.721%
Tier 1 capital ratio	27.666%	30.308%	28.643%	30.721%
Total capital ratio	28.008%	30.660%	28.643%	30.721%
CET 1 capital ratio (net of proposed dividends)	27.589%	30.224%	28.643%	30.721%
Tier 1 capital ratio (net of proposed dividends)	27.666%	30.308%	28.643%	30.721%
Total capital ratio (net of proposed dividends)	28.008%	30.660%	28.643%	30.721%
<b>Breakdown of risk-weighted assets in the various categories of risk-weights:</b>				
Credit risk	2,928,719	2,938,442	2,773,244	2,791,978
Market risk	369,626	196,759	339,789	191,477
Operational risk	559,073	427,786	346,313	325,813
Total Risk-Weighted Assets	<u><b>3,857,418</b></u>	<u><b>3,562,987</b></u>	<u><b>3,459,346</b></u>	<u><b>3,309,268</b></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).

**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the financial statement**  
**for the financial period ended 30 September 2015**

**26. Commitments and contingencies**

	<b>The Group and the Bank</b>	
	<b>30/9/2015</b>	<b>31-12-2014</b>
	<b>Principal amount RM'000</b>	<b>Principal amount RM'000</b>
Direct credit substitutes	98,850	133,850
Obligations under underwriting agreements	175,000	17,122
Commitments to extend credit:		
- maturity not exceeding one year	223,154	346,843
- maturity exceeding one year	21	571
Interest rate related contracts:		
- less than one year	-	100,000
- one year to less than five years	150,000	150,000
Foreign exchange related contracts:		
- less than one year	2,717,708	2,292,667
- one year to less than five years	890,381	808,480
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	406,082	322,761
<b>Total</b>	<b><u>4,661,196</u></b>	<b><u>4,172,294</u></b>

\* 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").

**27. 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 2015 are as follows:

(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	712,493
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	14.51%
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

## Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the financial statement for the financial period ended 30 September 2015

#### 28. 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:-

- Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities
- 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
- 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
<b>30-09-2015</b>				
<b>Assets</b>				
Financial assets held-for-trading	28,413	7,745	-	36,158
Financial investments available-for-sale				
- Private debt securities	-	2,837,869	-	2,837,869
- Equity securities	95,985	45,790	18,130	159,905
- Other financial assets	-	1,169,319	-	1,169,319
Derivative financial assets	-	187,328	-	187,328
	124,398	4,248,051	18,130	4,390,579
<b>Liabilities</b>				
Derivative financial liabilities	-	239,976	-	239,976
<b>31-12-2014</b>				
<b>Assets</b>				
Financial assets held-for-trading	18,903	13,973	-	32,876
Financial investments available-for-sale				
- Private debt securities	-	2,057,377	-	2,057,377
- Equity securities	92,401	41,046	16,808	150,255
- Other financial assets	-	1,370,116	-	1,370,116
Derivative financial assets	-	82,127	-	82,127
	111,304	3,564,639	16,808	3,692,751
<b>Liabilities</b>				
Derivative financial liabilities	-	89,079	-	89,079

**Affin Hwang Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the financial statement  
for the financial period ended 30 September 2015**

**28. 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:-

	<b>The Group and The Bank</b>	
	<b>30-09-2015</b>	<b>31-12-2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Opening	16,808	-
Transfer in (vested from AFFIN IB)	-	16,808
AFS revaluation reserve	1,322	-
Closing	18,130	16,808

**Effect of changes in significant unobservable assumptions to reasonably possible alternatives**

As at end of the current reporting date and last financial period ended 31 December 2014, 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.