

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

<u>Group</u>	Notes	30 June 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and short-term funds	14	465,165	443,078
Deposits and placements with financial institutions	15	305,464	149,046
Financial investments portfolio	16	433,149	379,094
Loans and advances	17	291,956	284,091
Derivative assets	20 (i)	13,652	20,567
Other assets	18	778,518	846,260
Tax recoverable		5,675	7,219
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		14,333	15,410
Property, plant and equipment		19,260	18,341
Intangible assets		16,511	17,045
Deferred tax assets		-	10,873
TOTAL ASSETS		2,343,788	2,191,129
LIABILITIES			
Deposits and placements from a licensed bank		456,684	461,116
Derivative liabilities	20 (ii)	47,875	55,345
Other liabilities	19	1,238,844	1,102,136
Provision for taxation and zakat		712	506
Deferred tax liabilities		831	-
TOTAL LIABILITIES		1,744,946	1,619,103
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		548,726	521,910
TOTAL EQUITY		598,842	572,026
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,343,788	2,191,129
COMMITMENTS AND CONTINGENCIES	27	1,661,060	1,785,221

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

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

<u>Bank</u>	Notes	30 June 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and short-term funds	14	447,091	428,366
Deposits and placements with financial institutions	15	280,944	124,526
Financial investments portfolio	16	433,149	379,094
Loans and advances	17	291,956	284,091
Derivative assets	20 (i)	13,652	20,567
Other assets	18	778,192	844,368
Tax recoverable		3,826	5,557
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		13,996	13,996
Property, plant and equipment		19,245	18,326
Intangible assets		16,511	17,045
Deferred tax assets		-	10,873
TOTAL ASSETS		2,501,926	2,350,173
LIABILITIES			
Deposits and placements from a licensed bank		456,684	461,116
Derivative liabilities	20 (ii)	47,875	55,345
Other liabilities	19	1,406,687	1,272,658
Provision for taxation and zakat		712	506
Deferred tax liabilities		831	-
TOTAL LIABILITIES		1,912,789	1,789,625
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		539,021	510,432
TOTAL EQUITY		589,137	560,548
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,501,926	2,350,173
COMMITMENTS AND CONTINGENCIES	27	1,661,060	1,785,221

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<u>Group</u>	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Interest income	21	8,996	6,785	17,532	12,953
Interest expense	22	(4,537)	(2,308)	(8,906)	(3,983)
Net interest income		4,459	4,477	8,626	8,970
Net income from Islamic Banking Scheme operations	29	8,158	12,788	11,770	18,337
Non-interest income	23	74,544	76,470	203,357	147,638
Net income		87,161	93,735	223,753	174,945
Overhead expenses	24	(71,024)	(61,826)	(137,723)	(127,608)
Operating profit		16,137	31,909	86,030	47,337
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	25	466	(260)	9	(100)
(Allowance for)/writeback of impairment on derivative assets		(13)	-	789	-
		16,590	31,649	86,828	47,237
Share of results of a joint venture		13	(267)	(124)	292
Profit before taxation and zakat		16,603	31,382	86,704	47,529
Taxation and zakat		(5,210)	(11,306)	(22,859)	(17,334)
Profit for the period, attributable to equity holder of the Bank		11,393	20,076	63,845	30,195
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		23	40	127	60
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		462	(1,443)	(1,321)	(352)
Reclassification of loss on financial investments available-for-sale to profit or loss, net		-	54	-	54
Total other comprehensive income for the period, net of tax		462	(1,389)	(1,321)	(298)
Total comprehensive income for the period, attributable to equity holder of the Bank		11,855	18,687	62,524	29,897

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<u>Bank</u>	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Interest income	21	8,732	6,558	16,979	12,577
Interest expense	22	(4,537)	(2,308)	(8,906)	(3,983)
Net interest income		4,195	4,250	8,073	8,594
Net income from Islamic Banking Scheme operations	29	8,158	12,788	11,770	18,337
Non-interest income	23	72,841	74,792	201,108	146,545
Net income		85,194	91,830	220,951	173,476
Overhead expenses	24	(69,303)	(60,689)	(135,158)	(125,693)
Operating profit		15,891	31,141	85,793	47,783
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	25	541	(260)	234	1,659
(Allowance for)/writeback of impairment on derivative assets		(13)	-	789	-
Profit before taxation and zakat		16,419	30,881	86,816	49,442
Taxation and zakat		(4,921)	(11,038)	(22,519)	(15,916)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		11,498	19,843	64,297	33,526

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

Group	←-----Non-distributable----->						Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000		
At 1 January 2016	50,116	172,669	50,116	3,409	-	1,121	294,595	572,026	
Profit for the period	-	-	-	-	-	-	63,845	63,845	
Other comprehensive income	-	-	-	-	-	(1,321)	-	(1,321)	
Total comprehensive income for the period	-	-	-	-	-	(1,321)	63,845	62,524	
Transfer to regulatory reserve	-	-	-	95	-	-	(95)	-	
Dividends (Note 10)	-	-	-	-	-	-	(35,708)	(35,708)	
At 30 June 2016	50,116	172,669	50,116	3,504	-	(200)	322,637	598,842	
At 1 January 2015	50,116	172,669	50,116	-	(24,677)	997	289,072	538,293	
Reclassifications	-	-	-	-	24,623	(21)	(24,602)	-	
	50,116	172,669	50,116	-	(54)	976	264,470	538,293	
Profit for the period	-	-	-	-	-	-	30,195	30,195	
Other comprehensive income	-	-	-	-	54	(352)	-	(298)	
Total comprehensive income for the period	-	-	-	-	54	(352)	30,195	29,897	
Transfer to regulatory reserve	-	-	-	3,454	-	-	(3,454)	-	
At 30 June 2015	50,116	172,669	50,116	3,454	-	624	291,211	568,190	

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

<u>Bank</u>	<-----Non-distributable----->				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
At 1 January 2016	50,116	172,669	50,116	3,409	284,238	560,548
Profit for the period	-	-	-	-	64,297	64,297
Total comprehensive income for the period	-	-	-	-	64,297	64,297
Transfer to regulatory reserve	-	-	-	95	(95)	-
Dividends (Note 10)	-	-	-	-	(35,708)	(35,708)
At 30 June 2016	50,116	172,669	50,116	3,504	312,732	589,137
At 1 January 2015	50,116	172,669	50,116	-	251,943	524,844
Profit for the period	-	-	-	-	33,526	33,526
Total comprehensive income for the period	-	-	-	-	33,526	33,526
Transfer to regulatory reserve	-	-	-	3,454	(3,454)	-
At 30 June 2015	50,116	172,669	50,116	3,454	282,015	558,370

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2016

	Group		Bank	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Profit before taxation and zakat	86,704	47,529	86,816	49,442
Adjustment for non-operating and non-cash items	(8,800)	(6,274)	(9,025)	(8,541)
Operating profit before working capital changes	77,904	41,255	77,791	40,901
Changes in working capital:				
Net changes in operating assets	(190,580)	(17,109)	(191,677)	(3,872)
Net changes in operating liabilities	181,511	22,828	178,832	22,927
Taxation and zakat paid, net	(9,405)	(19,930)	(8,878)	(19,163)
Net cash generated from operating activities	59,430	27,044	56,068	40,793
Net cash used in investing activities	(1,635)	(2,119)	(1,635)	(2,185)
Net cash used in financing activity - dividends paid	(35,708)	(62,645)	(35,708)	(62,645)
Net increase/(decrease) in cash and cash equivalents	22,087	(37,720)	18,725	(24,037)
Cash and cash equivalents at beginning of the period	443,078	554,940	428,366	526,132
Cash and cash equivalents at end of the period	465,165	517,220	447,091	502,095

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

1. Basis of Preparation

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

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

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

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

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

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

2. Significant Accounting Policies

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

3. Significant Accounting Estimates and Judgements

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

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

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

4. Auditors' Report on Preceding Annual Financial Statements

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

5. Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the second quarter ended 30 June 2016.

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

During the second quarter ended 30 June 2016, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

7. Changes in Estimates

There were no material changes in estimates during the second quarter ended 30 June 2016.

8. Changes in Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and by the Bank during the second quarter ended 30 June 2016.

9. Changes in the Composition of the Group

There were no significant changes in the composition of the Group during the second quarter ended 30 June 2016.

10. Dividends

(i) Dividend Paid

At the Annual General Meeting on 7 April 2016, a single-tier final dividend in respect of the financial year ended 31 December 2015 of approximately RM0.71 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM35,707,650 was approved and subsequently paid to the shareholder.

(ii) Proposed Dividend

The Board of Directors have proposed a single-tier interim dividend in respect of the financial year ending 31 December 2016 of approximately RM1.03 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM51,619,480.

11. Significant and Subsequent Events

(i) Liquidation of Mayban Futures Sdn. Bhd. (MFSB)

MFSB was placed under members' voluntary liquidation on 18 June 2014 and had its final meeting on 11 May 2016. MFSB is wholly owned by Maysec Sdn. Bhd. and the Bank is its ultimate holding company. MFSB was previously a license futures brokers and had ceased operations since 30 June 2003 and remained dormant. The liquidation of MFSB was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank. The dissolution of MFSB did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ending 31 December 2016.

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12. Performance Review

For the period ended 30 June 2016, the Group recorded a higher operating profit compared to the previous corresponding period mainly due to the increase in corporate advisory fees. Operating profit has surged by 81.7% from RM47.3 million to RM86.0 million.

Non-interest income increased by 37.7% from RM147.6 million to RM203.4 million due to higher fee-based income from investment banking business. However, the Islamic Banking income decreased by 35.8% from RM18.3 million and the net interest income reduced by 3.8% to RM8.6 million. Overall, the net income recorded an increase of 27.9% or RM48.8 million to RM223.8 million.

Overhead expenses increased by 7.9% or RM10.1 million to RM137.7 million from RM127.6 million. This was mainly derived from higher personnel expenses and administration and general expenses. However, it was partly offset against the decrease in establishment costs and marketing costs.

The Group's profit before taxation and zakat increased by 82.4% or RM39.2 million from RM47.5 million to RM86.7 million. Profit for the year increased by 111.4% or RM33.7 million to RM63.8 million compared to the previous corresponding period.

13. Prospects

The real world Gross Domestic Product ("GDP") growth is forecasted to ease slightly to 2.9% in 2016 (2015: 3.1%), due to slowing growth in major advanced economies. GDP growth for the UK is expected to taper to 1.0% (2015: 2.2%), arising from its recent vote to leave the European Union while US growth is projected at 1.9% (2015: 2.4%). Growth in Eurozone and Japan are expected to remain in line with 2015 GDP trends, at an estimated 1.5% and 0.3% respectively. Performances in the large emerging economies remain uneven, with India maintaining steady growth, China sees slowing growth and Brazil and Russia remain in recession.

Growth momentum in Asian Newly Industrialising Economies remain flattish (2016E: 2.0%; 2015: 2.1%) while growth in ASEAN-5 economies (2016E: 5.1%; 2015: 4.8%) will be supported by monetary and fiscal policy stimulus to boost domestic demand. There is an expectation that growth performance in the region will be uneven, with a pick up in Taiwan, Indonesia, Thailand and Philippines, but slower growth in Malaysia, Singapore, Hong Kong and Vietnam.

Malaysia's real GDP growth is anticipated to ease to 4.1% (2015: 5.0%) on slower domestic demand from moderating consumer spending and private investment. However, public investment is expected to be sustained on the continuation of existing and rollout of new major infrastructure and investment projects. This is following revisions to the Budget 2016 in response to the fall in crude oil price. The recent 25 basis points cut in the Overnight Policy Rate to 3.00% is likely to provide some upside to domestic demand and sentiment to help offset the downside risk to global economic growth.

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

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14. Cash and short-term funds

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Cash and bank balances with financial institutions	211,375	160,379	201,101	153,467
Deposit placements maturing within one month	253,790	282,699	245,990	274,899
Total	465,165	443,078	447,091	428,366

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM247,390,000 (2015: RM148,263,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

15. Deposits and placements with financial institutions

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Licensed bank	305,464	149,046	280,944	124,526

16. Financial investments portfolio

		Group and Bank	
		30 June 2016 RM'000	31 December 2015 RM'000
Financial assets at fair value through profit or loss	(i)	393,671	339,616
Financial investments available-for-sale	(ii)	39,445	39,445
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		433,149	379,094

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
At fair value		
Quoted financial investments:		
Shares in Malaysia	272,577	310,599
Shares outside Malaysia	100,769	25,322
	373,346	335,921
Unquoted financial investments:		
Structured product	20,325	3,695
Total financial assets at fair value through profit or loss	393,671	339,616

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

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

(iii) Financial investments held-to-maturity

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

17. Loans and advances

	Group and Bank	
	30 June	31 December
	2016	2015
	RM'000	RM'000
Term loans		
- Syndicated term loan	6,447	6,447
Amount due from brokers and clients		
- Margin accounts	269,610	262,082
Staff loans	22,169	21,829
Gross loans and advances	298,226	290,358
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,270)	(6,267)
Net loans and advances	291,956	284,091

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

	Group and Bank	
	30 June	31 December
	2016	2015
	RM'000	RM'000
Domestic business enterprises	59,715	47,135
Individuals	237,256	241,548
Foreign entities	1,255	1,675
Gross loans and advances	298,226	290,358

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- Housing loans	10,930	11,252
- Hire purchase receivables	10,705	10,268
- Other fixed rate loans	6,981	6,756
Variable rate		
- BLR/BR-plus	269,610	262,082
Gross loans and advances	298,226	290,358

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of securities	269,610	262,082
Purchase of transport vehicles	10,705	10,268
Purchase of residential landed property	10,930	11,252
Personal use	534	309
Working capital	6,447	6,447
Gross loans and advances	298,226	290,358

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Maturing within one year	276,808	269,132
One year to three years	1,936	1,671
Three years to five years	7,857	8,211
After five years	11,625	11,344
Gross loans and advances	298,226	290,358

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
At 1 January	6,981	7,001
Impaired during the period/year	44	-
Recovered/regularised during the period/year	(7)	(20)
Gross impaired loans and advances	7,018	6,981
Less: Individual assessment allowance	(6,270)	(6,267)
Net impaired loans and advances	748	714
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.26%	0.25%

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	415	378
Working capital	6,447	6,447
Gross impaired loans and advances	7,018	6,981

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
At 1 January	6,267	6,267
Allowance made during the period/year	3	-
Balance at end of period/year	6,270	6,267

18. Other assets

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	710,009	775,422	710,009	775,422
Amount due from ultimate holding company	6,198	10,839	6,198	10,839
Other debtors, deposits and prepayment	74,820	74,334	70,566	68,739
	791,027	860,595	786,773	855,000
Less: Allowance for impairment losses	(12,509)	(14,335)	(8,581)	(10,632)
	778,518	846,260	778,192	844,368

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

19. Other liabilities

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Provisions and accruals	22,586	67,080	22,428	66,896
Amount due to brokers and clients (a)	663,969	705,354	663,970	705,354
Deposits and other creditors	552,289	329,702	720,289	500,408
	1,238,844	1,102,136	1,406,687	1,272,658

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

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20. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	30 June 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Equity swaps				
- Less than one year	204,759	13,652	184,688	20,567

(ii) Derivative liabilities

	Group and Bank			
	30 June 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Equity options				
- Less than one year	218,088	29,798	383,816	29,947
Equity swaps				
- Less than one year	139,845	18,077	103,633	25,398
	357,933	47,875	487,449	55,345

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

	Group and Bank			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Equity related derivatives:				
Index futures	45	330	1,004	214
Equity options	25,298	(15,445)	24,756	(30,901)
Equity swaps	(7,317)	-	(273)	-
	18,026	(15,115)	25,487	(30,687)

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21. Interest income

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Group</u>				
Loans and advances				
- Interest income other than on impaired loans	5,239	5,035	10,293	9,571
- Interest income on impaired loans	40	28	73	56
Money at call and deposits and placements with financial institutions	3,506	1,627	6,774	3,166
Others	211	95	392	160
Total interest income	8,996	6,785	17,532	12,953

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Bank</u>				
Loans and advances				
- Interest income other than on impaired loans	5,239	5,035	10,293	9,571
- Interest income on impaired loans	40	28	73	56
Money at call and deposits and placements with financial institutions	3,242	1,400	6,221	2,790
Others	211	95	392	160
Total interest income	8,732	6,558	16,979	12,577

22. Interest expense

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Group and Bank</u>				
Deposits and placements from a licensed bank	2,764	2,308	5,875	3,983
Derivative financial instruments	1,773	-	3,031	-
Total interest expense	4,537	2,308	8,906	3,983

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23. Non-interest income

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Fee and commission income:				
Arranger and upfront fees	16,617	8,760	21,470	19,929
Brokerage income	33,436	40,267	72,065	80,410
Corporate advisory fees	4,446	2,951	81,672	8,086
Placement and related fees	(58)	8,409	1,815	8,582
Underwriting commission	870	1,035	1,411	2,189
Others	1,309	2,956	3,186	8,025
	56,620	64,378	181,619	127,221
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(17,068)	(6,107)	(24,841)	3,302
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(11,528)	11,958	(21,262)	11,042
Realised gain from sale of derivative financial instruments, net	22,297	17,924	33,232	30,886
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	18,026	(15,115)	25,487	(30,687)
Realised loss from sale of financial investments available-for-sale, net	-	(54)	-	(54)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	70	-	74
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	2,494	159	4,118	485
	14,221	8,835	16,734	15,048
Other income:				
Foreign exchange gain, net	2,237	2,964	2,015	4,551
Gain from disposal of property, plant and equipment	42	62	42	286
Others	1,424	231	2,947	532
	3,703	3,257	5,004	5,369
Total non-interest income	74,544	76,470	203,357	147,638

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23. Non-interest income (Cont'd)

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Bank				
Fee and commission income:				
Arranger and upfront fees	16,617	8,760	21,470	19,929
Brokerage income	33,436	40,267	72,065	80,410
Corporate advisory fees	2,740	2,626	79,419	7,686
Placement and related fees	(58)	8,409	1,815	8,582
Underwriting commission	870	1,035	1,411	2,189
Others	1,309	2,956	3,186	8,025
	54,914	64,053	179,366	126,821
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(17,068)	(6,107)	(24,841)	3,302
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(11,528)	11,958	(21,262)	11,042
Realised gain from sale of derivative financial instruments, net	22,297	17,924	33,232	30,886
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	18,026	(15,115)	25,487	(30,687)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	70	-	74
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	2,494	159	4,118	485
	14,221	8,889	16,734	15,102
Other income:				
Foreign exchange gain, net	2,236	1,106	2,014	3,383
Gain from disposal of property, plant and equipment	42	62	42	286
Others	1,428	682	2,952	953
	3,706	1,850	5,008	4,622
Total non-interest income	72,841	74,792	201,108	146,545

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24. Overhead expenses

Group	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	42,477	35,922	83,255	72,229
- Pension costs - defined contribution plan	4,364	4,384	8,567	8,985
- Employees' Share Scheme expenses	1,792	2,069	3,482	4,247
- Other staff related expenses	3,301	3,682	5,467	5,537
	51,934	46,057	100,771	90,998
Establishment costs				
- Depreciation of property, plant and equipment	1,626	1,469	3,273	2,878
- Amortisation of computer software	1,155	998	2,137	1,892
- Rental	2,777	2,747	5,714	5,615
- Repairs and maintenance of property, plant and equipment	2,489	2,303	5,906	4,773
- Information technology expenses	3,108	2,972	5,377	6,366
- Service chargeback	(987)	(2,595)	(7,466)	(5,718)
- Others	468	608	1,364	1,221
	10,636	8,502	16,305	17,027
Marketing costs				
- Advertisement and publicity	2,500	424	5,938	5,398
- Others	2,026	2,390	3,009	4,511
	4,526	2,814	8,947	9,909
Administration and general expenses				
- Fee and brokerage	1,975	2,405	7,834	6,189
- Administrative expenses	986	1,076	1,800	1,975
- General expenses	967	972	2,066	1,510
	3,928	4,453	11,700	9,674
Total overhead expenses	71,024	61,826	137,723	127,608

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24. Overhead expenses (Cont'd)

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Bank				
Personnel expenses				
- Salaries, allowances and bonuses	42,477	35,922	83,255	72,229
- Pension costs - defined contribution plan	4,364	4,384	8,567	8,985
- Employees' Share Scheme expenses	1,792	2,069	3,482	4,247
- Other staff related expenses	3,300	3,664	5,466	5,518
	<u>51,933</u>	<u>46,039</u>	<u>100,770</u>	<u>90,979</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,626	1,465	3,273	2,870
- Amortisation of computer software	1,155	998	2,137	1,892
- Rental	2,777	2,747	5,714	5,615
- Repairs and maintenance of property, plant and equipment	2,489	2,303	5,905	4,772
- Information technology expenses	3,108	2,972	5,377	6,366
- Service chargeback	(5,367)	(3,669)	(9,930)	(7,480)
- Others	468	608	1,364	1,221
	<u>6,256</u>	<u>7,424</u>	<u>13,840</u>	<u>15,256</u>
Marketing costs				
- Advertisement and publicity	2,500	422	5,938	5,398
- Others	2,032	2,391	3,032	4,514
	<u>4,532</u>	<u>2,813</u>	<u>8,970</u>	<u>9,912</u>
Administration and general expenses				
- Fee and brokerage	4,684	2,399	7,784	6,130
- Administrative expenses	945	1,070	1,742	1,954
- General expenses	953	944	2,052	1,462
	<u>6,582</u>	<u>4,413</u>	<u>11,578</u>	<u>9,546</u>
Total overhead expenses	<u>69,303</u>	<u>60,689</u>	<u>135,158</u>	<u>125,693</u>

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Group				
Allowance for impairment on loans and advances:				
- Individual allowance made	(3)	-	(3)	-
Bad debts recovered	453	64	561	861
Writeback of/(allowance for) impairment on other debtors, net	16	(324)	(549)	(961)
Total	466	(260)	9	(100)

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Bank				
Allowance for impairment on loans and advances:				
- Individual allowance made	(3)	-	(3)	-
Bad debts recovered	453	14	561	361
Writeback of/(allowance for) impairment on other debtors, net	91	(274)	(324)	1,298
Total	541	(260)	234	1,659

26. Capital adequacy

(l) Capital Adequacy Framework

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

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

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

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

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

	Group %	Bank %
<u>At 30 June 2016</u>		
CET1 capital ratio	35.814	33.768
Tier 1 capital ratio	35.814	33.768
Total capital ratio	35.814	33.768
<u>At 31 December 2015</u>		
CET1 capital ratio	32.439	30.366
Tier 1 capital ratio	32.439	30.366
Total capital ratio	32.439	30.366

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26. Capital adequacy (Cont'd)

(l) Capital Adequacy Framework (Cont'd)

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

	Group RM'000	Bank RM'000
At 30 June 2016		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	322,437	312,732
CET1 capital before regulatory adjustments	595,338	585,633
Less: Intangible assets	(16,511)	(16,511)
Investment in subsidiaries and joint venture ¹	(10,829)	(42,276)
CET1 capital/Tier 1 capital	567,998	526,846
Tier 2 capital		
Regulatory reserve	3,504	3,504
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,504)	(3,504)
Tier 2 capital	-	-
Total capital	567,998	526,846
At 31 December 2015		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	295,716	284,238
CET1 capital before regulatory adjustments	568,617	557,139
Less: Deferred tax assets	(10,873)	(10,873)
Intangible assets	(17,045)	(17,045)
Investment in subsidiaries and joint venture ¹	(12,001)	(42,371)
CET1 capital/Tier 1 capital/Total capital	528,698	486,850
Tier 2 capital		
Regulatory reserve	3,409	3,409
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,409)	(3,409)
Tier 2 capital	-	-
Total capital	528,698	486,850

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

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26. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 June 2016				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	230,040	230,040	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	790,035	790,035	223,540	17,883
Corporates	34,037	34,037	34,037	2,723
Regulatory retail	118,554	118,554	112,993	9,039
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	205,503	205,503	124,645	9,972
Total on-balance sheet exposures	1,417,614	1,417,614	554,383	44,350
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,098,368	1,098,368	255	20
Total off-balance sheet exposures	1,098,368	1,098,368	255	20
Total on and off-balance sheet exposures	2,515,982	2,515,982	554,638	44,370
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	738	59
Equity position risk	-	-	16,598	1,328
Foreign currency risk	-	-	132,549	10,604
Options risk	-	-	11,549	923
Total	-	-	161,434	12,914
(iii) <u>Operational Risk</u>	-	-	869,875	69,590
Total RWA and capital requirements	2,515,982	2,515,982	1,585,947	126,874

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26. Capital adequacy (Cont'd)

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

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

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26. Capital adequacy (Cont'd)

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

<u>Bank</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 June 2016				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	230,040	230,040	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	747,442	747,442	215,021	17,202
Corporates	34,037	34,037	34,037	2,723
Regulatory retail	118,554	118,554	112,993	9,039
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	204,968	204,968	124,112	9,929
Total on-balance sheet exposures	1,374,486	1,374,486	545,331	43,626
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,098,368	1,098,368	255	20
Total off-balance sheet exposures	1,098,368	1,098,368	255	20
Total on and off-balance sheet exposures	2,472,854	2,472,854	545,586	43,646
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	738	59
Equity position risk	-	-	16,598	1,328
Foreign currency risk	-	-	127,313	10,185
Options risk	-	-	11,549	924
Total	-	-	156,198	12,496
(iii) <u>Operational Risk</u>	-	-	858,405	68,672
Total RWA and capital requirements	2,472,854	2,472,854	1,560,189	124,814

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26. Capital adequacy (Cont'd)

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

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

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27. Commitments and contingencies

Group and Bank	As at 30 June 2016			As at 31 December 2015		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent* amount* RM'000	Risk- weighted amount RM'000
<u>Credit-related</u>						
Obligations under underwriting agreements	-	-	-	71,888	35,944	7,189
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,097,858	-	-	1,040,355	-	-
- Maturity exceeding one year	510	255	255	841	421	421
	1,098,368	255	255	1,113,084	36,365	7,610
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	562,692	-	-	672,137	-	-
Total commitments and contingencies	1,661,060	255	255	1,785,221	36,365	7,610

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

Contingent liabilities

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

Case 1

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

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

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

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

Case 2

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

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (Cont'd)

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

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

The Bank and the Lenders appealed to the Court of Appeal against the judgement ("Appeal"). In the interim, on 24 June 2009, a stay of the judgement was granted pending disposal of the Appeal. On 27 September 2013, the Court of Appeal allowed the Appeal and set aside the judgement. The Court of Appeal also entered judgement against the Borrower and the guarantor for the sum of RM47.2 million as at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 2008, both with interest thereon, together with costs of RM120,000.

On 27 September 2013, the Court of Appeal allowed the Appeal and set aside the judgement. The Court of Appeal also entered judgement against the Borrower and the guarantor for the sum of RM47.2 million as at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 2008, both with interest thereon, together with costs of RM120,000.

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

On 20 November 2014, the Borrower and the guarantor filed a motion to the Federal Court for the Federal Court to review and set aside its own decision in dismissing the Leave Application ("Review Application"). After several adjournments at the request of the Borrower's solicitors, the Review Application was heard on 3 December 2015 where the Federal Court dismissed the Review Application with costs of RM20,000 to be paid by the directors of the Borrower.

On 3 February 2016, the Borrower and the guarantor filed a motion to the Court of Appeal for the Court of Appeal to review its own decision dated 27 September 2013 ("Court of Appeal Review Application"). On 16 June 2016, the Court of Appeal unanimously dismissed the Court of Appeal Review Application with costs of RM10,000 to be paid by the directors of the Borrower.

Case 3

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

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

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

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 3 (Cont'd)

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

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

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

On 21 January 2016, the High Court dismissed the Defendants' stay applications filed before the High Court. On 28 March 2016, the Court of Appeal dismissed the 1st Defendant's stay application before the Court of Appeal with costs. The Court of Appeal further struck out the 2nd Defendant's Court of Appeal stay application with liberty to file afresh in view of the Receiving Order obtained by the 2nd Defendant before the Shah Alam bankruptcy court. The Banks are challenging the Receiving Order. In the meantime, the hearing of the Appeals originally fixed for 23 August 2016 have been adjourned to 22 September 2016 for mention pending feedback from the 2nd Defendant's Official Assignee.

28. Segment information

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

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

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

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

(i) Pillar 1 - Investment banking and advisory

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

(ii) Pillar 2 - Equities

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

(iii) Others

This segment includes investment holding, nominee and custodian services.

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28. Segment information (Cont'd)

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

Group	Pillar 1	Pillar 2	Others	Total
30 June 2016	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	1,653	6,973	-	8,626
Net income from Islamic Banking Scheme operations	9,603	2,167	-	11,770
Non-interest income	96,638	108,429	(1,710)	203,357
Total revenue	107,894	117,569	(1,710)	223,753
Results				
Segment results	107,894	117,569	(1,710)	223,753
Overhead expenses	(31,314)	(61,451)	(44,958)	(137,723)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(704)	713	-	9
Writeback of impairment on derivative assets	-	789	-	789
Share of results of a joint venture	-	-	(124)	(124)
Profit before taxation	75,876	57,620	(46,792)	86,704
Taxation and zakat				(22,859)
Profit for the period				63,845
Other segment information				
Depreciation	222	1,468	1,583	3,273
Amortisation	141	1,257	739	2,137

Group	Pillar 1	Pillar 2	Others	Total
30 June 2015	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	256	8,410	304	8,970
Net income from Islamic Banking Scheme operations	15,721	2,616	-	18,337
Non-interest income	47,589	95,951	4,098	147,638
Total revenue	63,566	106,977	4,402	174,945
Results				
Segment results	63,566	106,977	4,402	174,945
Overhead expenses	(28,141)	(57,052)	(42,415)	(127,608)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(2,041)	689	1,252	(100)
Share of results of a joint venture	-	-	292	292
Profit before taxation	33,384	50,614	(36,469)	47,529
Taxation and zakat				(17,334)
Profit for the period				30,195
Other segment information				
Depreciation	208	884	1,786	2,878
Amortisation	-	908	984	1,892

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 June 2016

	Notes	Group and Bank	
		30 June 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and short-term funds	(a)	28,986	2,365
Other assets	(b)	167,945	187,608
Total assets		196,931	189,973
LIABILITIES			
Other liabilities	(c)	27,426	2,575
Provision for taxation and zakat	(d)	312	14,853
Total liabilities		27,738	17,428
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		164,193	167,545
		169,193	172,545
Total liabilities and Islamic banking fund		196,931	189,973

Unaudited Statements of Comprehensive Income
For the Second Quarter Ended 30 June 2016

Group and Bank	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of Islamic banking capital funds	(e)	8,158	12,788	11,770	18,337
Income attributable to the Group and the Bank		8,158	12,788	11,770	18,337
Overhead expenses	(f)	(10,616)	(11,315)	(15,042)	(15,126)
(Loss)/profit before taxation and zakat		(2,458)	1,473	(3,272)	3,211
Allowance for impairment on other debtors		(80)	-	(80)	-
(Loss)/profit before taxation and zakat		(2,538)	1,473	(3,352)	3,211
Taxation		-	(368)	-	(803)
Zakat		-	(209)	-	(272)
(Loss)/profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		(2,538)	896	(3,352)	2,136

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

Unaudited Statements of Changes in Equity
For the Second Quarter Ended 30 June 2016

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2016	5,000	167,545	172,545
Loss for the period	-	(3,352)	(3,352)
Total comprehensive income for the period	-	(3,352)	(3,352)
At 30 June 2016	5,000	164,193	169,193
At 1 January 2015	5,000	157,559	162,559
Profit for the period	-	2,136	2,136
Total comprehensive income for the period	-	2,136	2,136
At 30 June 2015	5,000	159,695	164,695

Unaudited Statements of Cash Flows
For the Second Quarter Ended 30 June 2016

	Group and Bank	
	30 June 2016 RM'000	30 June 2015 RM'000
Cash flows from operating activities		
(Loss)/profit before taxation and zakat, representing operating profit before working capital changes	(3,352)	3,211
Increase in financial investments portfolio	-	(19,664)
Decrease in receivables	19,663	19,352
Increase in payables	10,310	7,377
Net cash generated from operating activities	26,621	10,276
Net increase in cash and cash equivalents	26,621	10,276
Cash and cash equivalents at beginning of the period	2,365	2,151
Cash and cash equivalents at end of the period	28,986	12,427

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

(a) Cash and short-term funds	Group and Bank	
	30 June 2016	31 December 2015
Cash and bank balances with financial institutions	28,986	2,365
(b) Other assets	Group and Bank	
	30 June 2016	31 December 2015
	RM'000	RM'000
Debtors and prepayments	167,945	187,608
(c) Other liabilities	Group and Bank	
	30 June 2016	31 December 2015
	RM'000	RM'000
Provisions and accruals	27,426	2,575
(d) Provision for taxation and zakat	Group and Bank	
	30 June 2016	31 December 2015
	RM'000	RM'000
Taxation	-	14,347
Zakat	312	506
	312	14,853

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Gross income from:				
- Financial assets at fair value through profit or loss	-	139	-	186
- Deposits and placements with financial institutions	-	50	-	194
Realised gain from sale of financial assets at fair value through profit or loss, net	-	30	-	713
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	-	(184)	-	(382)
Fee and commission income from:				
- Arranger and upfront fees	4,841	9,663	6,130	12,930
- Brokerage income	1,307	1,505	2,167	2,616
- Corporate advisory fees	135	25	235	25
- Underwriting commission	-	-	625	-
- Placement fees	150	-	150	-
- Others	1,725	1,560	2,734	2,055
Foreign exchange loss, net	-	-	(271)	-
Total	8,158	12,788	11,770	18,337

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

(f) Overhead expenses

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Group and Bank</u>				
Personnel expenses	9,980	9,719	13,950	12,978
Establishment costs				
- Service chargeback	(2,447)	(2,009)	(3,401)	(2,452)
- Other establishment costs	1,700	1,621	2,685	2,255
Marketing expenses	330	413	590	535
Administration and general expenses	1,053	1,571	1,218	1,810
Total	10,616	11,315	15,042	15,126

(g) Capital adequacy

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

	Group and Bank %
<u>At 30 June 2016</u>	
CET1 capital ratio	88.101
Tier 1 capital ratio	88.101
Total capital ratio	<u>88.101</u>
<u>At 31 December 2015</u>	
CET1 capital ratio	86.136
Tier 1 capital ratio	86.136
Total capital ratio	<u>86.136</u>

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

	Group and Bank RM'000
<u>At 30 June 2016</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	<u>164,193</u>
CET1 capital/Tier 1 capital/Total capital	<u>169,193</u>
<u>At 31 December 2015</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	<u>167,545</u>
CET1 capital/Tier 1 capital/Total capital	<u>172,545</u>

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

(g) Capital adequacy (Cont'd)

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

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
30 June 2016 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	28,983	28,983	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	236	236	47	4
Other assets	439,212	439,212	120,982	9,679
Total on-balance sheet exposures	468,431	468,431	121,029	9,683
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	468,431	468,431	121,029	9,683
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	71,013	5,681
Total RWA and capital requirements	468,431	468,431	192,045	15,364

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

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

(h) Fair values of financial assets and liabilities

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

(i) Allocation of income

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

(j) Shariah committee

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

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

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

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

The Group and the Bank presently have seven Shariah members.

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30. Fair value of financial instruments

Fair value hierarchy

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

(a) Level 1: Quoted prices

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

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

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

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

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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 June 2016 and 31 December 2015.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 June 2016				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	373,346	20,325	-	393,671
Derivative assets	-	13,652	-	13,652
	<u>373,346</u>	<u>33,977</u>	<u>-</u>	<u>407,323</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>6,233</u>	<u>41,642</u>	<u>-</u>	<u>47,875</u>
As at 31 December 2015				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	335,921	3,695	-	339,616
Derivative assets	-	20,567	-	20,567
	<u>335,921</u>	<u>24,262</u>	<u>-</u>	<u>360,183</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>24,549</u>	<u>30,796</u>	<u>-</u>	<u>55,345</u>

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

Valuation techniques

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

Financial assets at fair value through profit or loss

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

Derivative financial instruments

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