

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

<u>Group</u>	Notes	31 March 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	14	572,823	534,129
Deposits and placements with financial institutions	15	570,867	388,587
Financial investments portfolio	16	603,350	508,408
Loans and advances	17	310,750	299,876
Derivative assets	20 (i)	5,827	19,839
Other assets	18	695,105	755,875
Tax recoverable		6,035	2,017
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		15,433	15,779
Property, plant and equipment		18,058	19,148
Intangible assets		16,870	16,687
Deferred tax assets		3,540	14,465
TOTAL ASSETS		2,818,763	2,574,915
LIABILITIES			
Deposits and placements from a licensed bank		613,488	615,483
Derivative liabilities	20 (ii)	102,553	31,109
Other liabilities	19	1,526,343	1,384,022
Provision for taxation and zakat		1,153	312
TOTAL LIABILITIES		2,243,537	2,030,926
SHAREHOLDER'S EQUITY			
Share capital		222,785	50,116
Reserves		352,441	493,873
TOTAL EQUITY		575,226	543,989
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,818,763	2,574,915
COMMITMENTS AND CONTINGENCIES	27	1,605,924	1,620,064

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 31 MARCH 2017

<u>Bank</u>	Notes	31 March 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	14	532,709	494,150
Deposits and placements with financial institutions	15	570,847	388,567
Financial investments portfolio	16	603,350	508,408
Loans and advances	17	310,750	299,876
Derivative assets	20 (i)	5,827	19,839
Other assets	18	695,427	753,939
Tax recoverable		4,024	34
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		18,043	19,133
Intangible assets		16,870	16,687
Deferred tax assets		3,540	14,465
TOTAL ASSETS		2,978,747	2,732,458
LIABILITIES			
Deposits and placements from a licensed bank		613,488	615,483
Derivative liabilities	20 (ii)	102,553	31,109
Other liabilities	19	1,697,486	1,553,409
Provision for taxation and zakat		1,153	312
TOTAL LIABILITIES		2,414,680	2,200,313
SHAREHOLDER'S EQUITY			
Share capital		222,785	50,116
Reserves		341,282	482,029
TOTAL EQUITY		564,067	532,145
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,978,747	2,732,458
COMMITMENTS AND CONTINGENCIES	27	1,605,924	1,620,064

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 FIRST QUARTER ENDED 31 MARCH 2017

<u>Group</u>	Notes	Quarter Ended		Cumulative 3 Months Ended	
		31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Interest income	21	10,522	8,536	10,522	8,536
Interest expense	22	(6,761)	(4,369)	(6,761)	(4,369)
Net interest income		3,761	4,167	3,761	4,167
Net income from Islamic					
Banking Scheme operations	29	43,457	3,612	43,457	3,612
Non-interest income	23	66,436	128,121	66,436	128,121
Net income		113,654	135,900	113,654	135,900
Overhead expenses	24	(68,398)	(66,007)	(68,398)	(66,007)
Operating profit		45,256	69,893	45,256	69,893
Allowance for impairment on loans and advances and other debtors, net	25	(1,429)	(457)	(1,429)	(457)
Writeback of impairment on derivative assets		-	802	-	802
		43,827	70,238	43,827	70,238
Share of results of a joint venture		(123)	(137)	(123)	(137)
Profit before taxation and zakat		43,704	70,101	43,704	70,101
Taxation and zakat		(12,114)	(17,649)	(12,114)	(17,649)
Profit for the period, attributable to equity holder of the Bank		31,590	52,452	31,590	52,452
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		63	105	63	105
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(353)	(1,783)	(353)	(1,783)
Total other comprehensive loss for the period, net of tax		(353)	(1,783)	(353)	(1,783)
Total comprehensive income for the period, attributable to equity holder of the Bank		31,237	50,669	31,237	50,669

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD

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**CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

Bank	Notes	Quarter Ended		Cumulative 3 Months Ended	
		31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Interest income	21	10,271	8,247	10,271	8,247
Interest expense	22	(6,761)	(4,369)	(6,761)	(4,369)
Net interest income		3,510	3,878	3,510	3,878
Net income from Islamic					
Banking Scheme operations	29	43,457	3,612	43,457	3,612
Non-interest income	23	66,114	127,575	66,114	127,575
Net income		113,081	135,065	113,081	135,065
Overhead expenses	24	(67,664)	(65,163)	(67,664)	(65,163)
Operating profit		45,417	69,902	45,417	69,902
Allowance for impairment on loans and advances and other debtors, net	25	(1,429)	(307)	(1,429)	(307)
Writeback of impairment on derivative assets		-	802	-	802
Profit before taxation and zakat		43,988	70,397	43,988	70,397
Taxation and zakat		(12,068)	(17,598)	(12,068)	(17,598)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		31,920	52,799	31,920	52,799

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

<u>Group</u>	<-----Non-distributable----->					Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
At 1 January 2017	50,116	172,669	50,116	3,497	1,757	265,834	543,989
Profit for the period	-	-	-	-	-	31,590	31,590
Other comprehensive income	-	-	-	-	(353)	-	(353)
Total comprehensive income for the period	-	-	-	-	(353)	31,590	31,237
Transfer to regulatory reserve	-	-	-	115	-	(115)	-
Transfer to share capital	172,669	(172,669)	-	-	-	-	-
At 31 March 2017	222,785	-	50,116	3,612	1,404	297,309	575,226
At 1 January 2016	50,116	172,669	50,116	3,409	1,121	294,595	572,026
Profit for the period	-	-	-	-	-	52,452	52,452
Other comprehensive income	-	-	-	-	(1,783)	-	(1,783)
Total comprehensive income for the period	-	-	-	-	(1,783)	52,452	50,669
Transfer from regulatory reserve	-	-	-	(169)	-	169	-
At 31 March 2016	50,116	172,669	50,116	3,240	(662)	347,216	622,695

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

<u>Bank</u>	←-----Non-distributable-----→				Distributable Retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000		
At 1 January 2017	50,116	172,669	50,116	3,497	255,749	532,147
Profit for the period	-	-	-	-	31,920	31,920
Total comprehensive income for the period	-	-	-	-	31,920	31,920
Transfer to regulatory reserve	-	-	-	115	(115)	-
Transfer to share capital	172,669	(172,669)	-	-	-	-
At 31 March 2017	222,785	-	50,116	3,612	287,554	564,067
At 1 January 2016	50,116	172,669	50,116	3,409	284,238	560,548
Profit for the period	-	-	-	-	52,799	52,799
Total comprehensive income for the period	-	-	-	-	52,799	52,799
Transfer from regulatory reserve	-	-	-	(169)	169	-
At 31 March 2016	50,116	172,669	50,116	3,240	337,206	613,347

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2017

	Group		Bank	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Profit before taxation and zakat	43,704	70,101	43,988	70,397
Adjustment for non-operating and non-cash items	(1,781)	459	(2,128)	309
Operating profit before working capital changes	<u>41,923</u>	70,560	<u>41,860</u>	70,706
Changes in working capital:				
Net changes in operating assets	(132,940)	(102,064)	(134,844)	(102,956)
Net changes in operating liabilities	140,326	76,544	142,082	77,148
Taxation and zakat paid, net	(4,366)	(3,685)	(4,292)	(3,542)
Net cash generated from operating activities	<u>44,943</u>	41,355	<u>44,806</u>	41,356
Net cash used in investing activities	<u>(1,640)</u>	(2,884)	<u>(1,638)</u>	(2,884)
Net increase in cash and cash equivalents	<u>43,303</u>	38,471	<u>43,168</u>	38,472
Cash and cash equivalents at beginning of the period	<u>580,863</u>	520,651	<u>540,864</u>	481,419
Cash and cash equivalents at end of the period	<u>624,166</u>	559,122	<u>584,032</u>	519,891
Cash and short-term funds	572,823	434,795	532,709	420,085
Deposits and placements with financial institutions	570,867	266,574	570,847	242,053
	<u>1,143,690</u>	701,369	<u>1,103,556</u>	662,138
Less:				
Cash and short-term funds and deposit and placements with original maturity more than three months	(519,524)	(142,247)	(519,524)	(142,247)
	<u>624,166</u>	559,122	<u>584,032</u>	519,891

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

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

1. Basis of Preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. 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 2016.

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 2016 except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRSs") and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning on or after
MFRS 107 <i>Statement of Cash Flows</i> - Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 <i>Income Taxes</i> - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 2 <i>Share-based Payment</i> - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
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 2014 - 2016 Cycle	
(i) Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(ii) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(iii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

Companies Act 2016

The unaudited condensed interim financial statements of the Group and of the Bank are prepared in accordance with the requirements of the Companies Act 2016 ("New Act"), which replaced the Companies Act 1965. Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium will become part of the share capital.

During the financial period ended 31 March 2017, the Bank has transferred RM172.7 million share premium to its share capital. Pursuant to Section 618 of the New Act, the Bank has twenty four (24) months to utilise the amount of share premium that has been transferred to share capital.

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2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016 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 2016.

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.

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 2016.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 was not qualified.

5. Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the first quarter ended 31 March 2017.

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

During the first quarter ended 31 March 2017, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

7. Changes in Estimates

There were no material changes in estimates during the first quarter ended 31 March 2017.

8. Changes in Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and the Bank during the first quarter ended 31 March 2017.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the first quarter ended 31 March 2017.

10. Dividends

There were no dividends declared and paid during the first quarter ended 31 March 2017.

11. Significant and Subsequent Events

There were no significant and subsequent events during the first quarter ended 31 March 2017.

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12. Performance Review

For the period ended 31 March 2017, the Group recorded a lower operating profit compared to the previous corresponding period mainly due to drop in non-interest income earned during the period. Operating profit decreased by 35.2% from RM69.9 million to RM45.3 million.

Net interest income reduced by 9.7% to RM3.8 million and non-interest income decreased by 48.2% from RM128.1 million to RM66.4 million due to lower fee-based income from investment banking business. However, the Islamic Banking income increased by RM39.8 million from RM3.6 million to RM43.5 million. Overall, net income declined by 16.4% or RM22.2 million to RM113.7 million.

Overhead expenses increased by 3.6% or RM2.4 million to RM68.4 million from RM66.0 million. This was mainly due to higher personnel expenses. However, it was partly offset by the decrease in establishment costs.

The Group's profit before taxation and zakat decreased by 37.7% or RM26.4 million from RM70.1 million to RM43.7 million. Profit for the period decreased by 39.8% or RM20.8 million to RM31.6 million compared to the previous corresponding period.

13. Business Outlook

Global real Gross Domestic Product ("GDP") growth is forecasted to expand at +3.4% in 2017 (2016: +3.1%), from improved growth in the US (2017E: +2.3%; 2016: +1.6%) and India (2017: +7.3%; 2016: +6.8%), sustained growth in Europe (2017E: +1.6%) and Japan (2017E: +1.0%), as well as recoveries in markets like Brazil and Russia.

Meanwhile, the ASEAN-6 countries could chart relatively faster growth in 2017 at 4.9% (2016: +4.6%) supported by the recovery in external demand coupled with sustained momentum in domestic demand. Maybank Group's home markets are expected to perform better in 2017, with Singapore forecasted to grow at +3.0% (2016: +2.0%), Malaysia expected to expand by +4.4% (2016: +4.2%) and Indonesia to remain resilient at +5.1% (2016: +5.0%).

Malaysia's real GDP growth in 2017 will be underpinned by sustained consumer spending, stronger growth in public and private investments, rebound in Government consumption expenditure and firmer export growth. Growth in public and private investments will be driven by rollout of existing and new major infrastructure and investment projects. The Overnight Policy Rate is also expected to remain unchanged at 3.00% in 2017 to support domestic demand.

Against the backdrop of selective growth in the region, the investment banking industry is expected to remain challenging due to uncertainty in market conditions and investor sentiments.

Barring any unforeseen circumstances, the Group expects its financial performance for 2017 to be satisfactory given the persisting challenging global environment.

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14. Cash and short-term funds

	Group		Bank	
	31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
Cash and bank balances with financial institutions	230,029	208,951	223,424	201,479
Deposit placements maturing within one month	342,794	325,178	309,285	292,671
Total cash and short-term funds	572,823	534,129	532,709	494,150

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM255,317,000 (2016: RM173,369,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

15. Deposits and placements with financial institutions

	Group		Bank	
	31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
Licensed bank	570,867	388,587	570,847	388,567

16. Financial investments portfolio

		Group and Bank	
		31 March 2017 RM'000	31 December 2016 RM'000
Financial assets at fair value through profit or loss	(i)	563,872	468,930
Financial investments available-for-sale	(ii)	39,445	39,445
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		603,350	508,408

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

	Group and Bank	
	31 March 2017 RM'000	31 December 2016 RM'000
At fair value		
Quoted financial investments:		
Shares in Malaysia	381,831	337,563
Shares outside Malaysia	174,428	120,017
	556,259	457,580
Unquoted financial investments:		
Structured product	7,613	11,350
Total financial assets at fair value through profit or loss	563,872	468,930

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

	Group and Bank	
	31 March 2017	31 December 2016
	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	<u>39,445</u>	<u>39,445</u>

(iii) Financial investments held-to-maturity

	Group and Bank	
	31 March 2017	31 December 2016
	RM'000	RM'000
At amortised cost		
Unquoted financial investments:		
Private debt securities in Malaysia	33	33
Total financial investments held-to-maturity	<u>33</u>	<u>33</u>

17. Loans and advances

	Group and Bank	
	31 March 2017	31 December 2016
	RM'000	RM'000
Term loans		
- Syndicated term loan	-	6,447
- Other term loan	20,162	17,749
Amount due from brokers and clients		
- Margin accounts	267,838	258,717
Staff loans	23,133	23,337
Gross loans and advances	<u>311,133</u>	<u>306,250</u>
Less: Allowance for impairment losses		
- Individual assessment allowance	(265)	(6,270)
- Collective assessment allowance	(118)	(104)
Net loans and advances	<u>310,750</u>	<u>299,876</u>

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

	Group and Bank	
	31 March 2017	31 December 2016
	RM'000	RM'000
Domestic business enterprises	74,297	80,482
Individuals	228,453	220,064
Foreign entities	8,383	5,704
Gross loans and advances	<u>311,133</u>	<u>306,250</u>

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	31 March 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- Housing loans	11,732	11,522
- Hire purchase receivables	10,969	11,541
- Other fixed rate loans	432	6,721
Variable rate		
- BLR/BR-plus	267,838	258,717
- Cost-plus	20,162	17,749
Gross loans and advances	311,133	306,250

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

	Group and Bank	
	31 March 2017 RM'000	31 December 2016 RM'000
Purchase of securities	267,838	258,717
Purchase of transport vehicles	10,969	11,541
Purchase of residential landed property	11,732	11,522
Personal use	432	274
Working capital	-	6,447
Others	20,162	17,749
Gross loans and advances	311,133	306,250

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

	Group and Bank	
	31 March 2017 RM'000	31 December 2016 RM'000
Maturing within one year	268,390	265,564
One year to three years	2,812	2,782
Three years to five years	28,039	26,360
After five years	11,892	11,544
Gross loans and advances	311,133	306,250

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

	Group and Bank	
	31 March 2017 RM'000	31 December 2016 RM'000
At 1 January	7,083	6,981
Impaired during the period	-	116
Recovered/regularised during the period	(6,447)	(14)
Gross impaired loans and advances	636	7,083
Less: Allowance for impairment losses		
- Individual assessment allowance	(265)	(6,270)
Net impaired loans and advances	371	813
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.12%	0.27%

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	31 March 2017 RM'000	31 December 2016 RM'000
Purchase of transport vehicles	159	159
Purchase of residential landed property	477	477
Working capital	-	6,447
Gross impaired loans and advances	636	7,083

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

	Group and Bank	
	31 March 2017 RM'000	31 December 2016 RM'000
Individual assessment allowance		
At 1 January	6,270	6,267
Allowance made during the period (Note 25)	-	3
Amount written off during the period (Note 25)	(6,005)	-
Balance at end of period	265	6,270
Collective assessment allowance		
At 1 January	104	-
Allowance made during the period (Note 25)	14	104
Balance at end of period	118	104

18. Other assets

	Group		Bank	
	31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	605,428	685,716	605,428	685,716
Amount due from holding company	5,586	11,971	5,586	11,971
Other debtors, deposits and prepayment	100,450	73,036	97,069	67,397
	711,464	770,723	708,083	765,084
Less: Allowance for impairment losses	(16,359)	(14,848)	(12,656)	(11,145)
	695,105	755,875	695,427	753,939

(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.

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19. Other liabilities

	Group		Bank	
	31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
Provisions and accruals	39,467	85,384	39,286	85,202
Amount due to brokers and clients (a)	586,994	691,678	586,994	691,678
Deposits and other creditors	743,222	525,980	743,072	523,915
Amount due to:				
- Holding company	150,924	73,459	150,924	73,459
- Related companies	5,736	7,521	5,736	7,521
- Subsidiaries	-	-	171,474	171,634
	<u>1,526,343</u>	<u>1,384,022</u>	<u>1,697,486</u>	<u>1,553,409</u>

(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.

20. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	31 March 2017		31 December 2016	
	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	<u>112,547</u>	<u>5,827</u>	<u>320,098</u>	<u>19,839</u>

(ii) Derivative liabilities

	Group and Bank			
	31 March 2017		31 December 2016	
	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	58,621	19,412	61,298	26,817
Equity swaps				
- Less than one year	<u>326,433</u>	<u>83,141</u>	<u>123,737</u>	<u>4,292</u>
	<u>385,054</u>	<u>102,553</u>	<u>185,035</u>	<u>31,109</u>

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20. Derivative financial instruments (cont'd.)

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

	Group and Bank			
	Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Equity related derivatives:				
Index futures	5	959	5	959
Equity options	(7,488)	(542)	(7,488)	(542)
Equity swaps	(92,861)	7,044	(92,861)	7,044
	<u>(100,344)</u>	<u>7,461</u>	<u>(100,344)</u>	<u>7,461</u>

21. Interest income

	Group			
	Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	5,479	5,054	5,479	5,054
- Interest income on impaired loans	22	33	22	33
Money at call and deposits and placements with financial institutions	4,663	3,268	4,663	3,268
Others	358	181	358	181
Total interest income	<u>10,522</u>	<u>8,536</u>	<u>10,522</u>	<u>8,536</u>

	Bank			
	Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	5,479	5,054	5,479	5,054
- Interest income on impaired loans	22	33	22	33
Money at call and deposits and placements with financial institutions	4,412	2,979	4,412	2,979
Others	358	181	358	181
Total interest income	<u>10,271</u>	<u>8,247</u>	<u>10,271</u>	<u>8,247</u>

22. Interest expense

	Group and Bank			
	Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a licensed bank	3,067	3,111	3,067	3,111
Derivative financial instruments	3,694	1,258	3,694	1,258
Total interest expense	<u>6,761</u>	<u>4,369</u>	<u>6,761</u>	<u>4,369</u>

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23. Non-interest income

<u>Group</u>	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Fee and commission income:				
Arranger and upfront fees	6,044	4,853	6,044	4,853
Brokerage income	46,150	38,629	46,150	38,629
Corporate advisory fees	1,552	77,226	1,552	77,226
Placement and related fees	3	1,873	3	1,873
Underwriting commission	513	541	513	541
Others	3,095	1,877	3,095	1,877
	57,357	124,999	57,357	124,999
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	20,368	(8,465)	20,368	(8,465)
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	101,370	(9,734)	101,370	(9,734)
Realised (loss)/gain from sale of derivative financial instruments, net	(15,194)	10,935	(15,194)	10,935
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(100,344)	7,461	(100,344)	7,461
Gross dividends from:				
Financial assets at fair value through profit or loss	68	1,624	68	1,624
- Quoted in Malaysia				
	6,268	1,821	6,268	1,821
Other income:				
Foreign exchange gain/(loss), net	1,812	(222)	1,812	(222)
Others	999	1,523	999	1,523
	2,811	1,301	2,811	1,301
Total non-interest income	66,436	128,121	66,436	128,121

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23. Non-interest income (Cont'd)

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Bank				
Fee and commission income:				
Arranger and upfront fees	6,044	4,853	6,044	4,853
Brokerage income	46,150	38,629	46,150	38,629
Corporate advisory fees	1,230	76,679	1,230	76,679
Placement and related fees	3	1,873	3	1,873
Underwriting commission	513	541	513	541
Others	3,095	1,877	3,095	1,877
	57,035	124,452	57,035	124,452
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	20,368	(8,465)	20,368	(8,465)
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	101,370	(9,734)	101,370	(9,734)
Realised (loss)/gain from sale of derivative financial instruments, net	(15,194)	10,935	(15,194)	10,935
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(100,344)	7,461	(100,344)	7,461
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	68	1,624	68	1,624
	6,268	1,821	6,268	1,821
Other income:				
Foreign exchange gain/(loss), net	1,812	(222)	1,812	(222)
Others	999	1,524	999	1,524
	2,811	1,302	2,811	1,302
Total non-interest income	66,114	127,575	66,114	127,575

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24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	45,098	40,778	45,098	40,778
- Pension costs - defined contribution plan	4,472	4,203	4,472	4,203
- Employees' Share Scheme expenses	1,189	1,690	1,189	1,690
- Other staff related expenses	1,892	2,166	1,892	2,166
	52,651	48,837	52,651	48,837
Establishment costs				
- Depreciation of property, plant and equipment	1,605	1,647	1,605	1,647
- Amortisation of computer software	1,010	982	1,010	982
- Rental	2,806	2,937	2,806	2,937
- Repairs and maintenance of property, plant and equipment	1,851	3,417	1,851	3,417
- Information technology expenses	3,140	2,269	3,140	2,269
- Service chargeback	(4,885)	(3,741)	(4,885)	(3,741)
- Others	379	896	379	896
	5,906	8,407	5,906	8,407
Marketing costs				
- Advertisement and publicity	2,680	3,438	2,680	3,438
- Others	1,438	983	1,438	983
	4,118	4,421	4,118	4,421
Administration and general expenses				
- Fee and brokerage	4,127	2,429	4,127	2,429
- Administrative expenses	817	814	817	814
- General expenses	779	1,099	779	1,099
	5,723	4,342	5,723	4,342
Total overhead expenses	68,398	66,007	68,398	66,007

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24. Overhead expenses (Cont'd)

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<u>Bank</u>				
Personnel expenses				
- Salaries, allowances and bonuses	45,098	40,778	45,098	40,778
- Pension costs - defined contribution plan	4,472	4,203	4,472	4,203
- Employees' Share Scheme expenses	1,189	1,690	1,189	1,690
- Other staff related expenses	1,892	2,166	1,892	2,166
	52,651	48,837	52,651	48,837
Establishment costs				
- Depreciation of property, plant and equipment	1,605	1,647	1,605	1,647
- Amortisation of computer software	1,010	982	1,010	982
- Rental	2,806	2,937	2,806	2,937
- Repairs and maintenance of property, plant and equipment	1,851	3,416	1,851	3,416
- Information technology expenses	3,140	2,269	3,140	2,269
- Service chargeback	(5,589)	(4,563)	(5,589)	(4,563)
- Others	379	896	379	896
	5,202	7,584	5,202	7,584
Marketing costs				
- Advertisement and publicity	2,680	3,438	2,680	3,438
- Others	1,445	1,000	1,445	1,000
	4,125	4,438	4,125	4,438
Administration and general expenses				
- Fee and brokerage	4,105	2,408	4,105	2,408
- Administrative expenses	802	797	802	797
- General expenses	779	1,099	779	1,099
	5,686	4,304	5,686	4,304
Total overhead expenses	67,664	65,163	67,664	65,163

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

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Group				
Allowance for impairment on loans and advances:				
- Collective allowance made	(14)	-	(14)	-
Bad debts recovered	96	108	96	108
Allowance for impairment on other debtors, net	(1,511)	(565)	(1,511)	(565)
Total	(1,429)	(457)	(1,429)	(457)
Bank				
Allowance for impairment on loans and advances:				
- Collective allowance made	(14)	-	(14)	-
Bad debts recovered	96	108	96	108
Allowance for impairment on other debtors, net	(1,511)	(415)	(1,511)	(415)
Total	(1,429)	(307)	(1,429)	(307)

26. Capital adequacy

(I) 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 %
At 31 March 2017		
CET1 capital ratio	28.662	26.681
Tier 1 capital ratio	28.662	26.681
Total capital ratio	28.692	26.681
At 31 December 2016		
CET1 capital ratio	33.010	30.758
Tier 1 capital ratio	33.010	30.758
Total capital ratio	33.010	30.758

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26. Capital adequacy (Cont'd)

(l) Capital Adequacy Framework (Cont'd)

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

	Group RM'000	Bank RM'000
<u>At 31 March 2017</u>		
Paid-up share capital	222,785	222,785
Statutory reserves	50,116	50,116
Other reserves	267,239	255,749
CET1 capital before regulatory adjustments	540,140	528,650
Less: Deferred tax assets	(3,540)	(3,540)
Intangible assets	(16,870)	(16,870)
Investment in subsidiaries and joint venture ¹	(12,346)	(42,168)
CET1 capital/Tier 1 capital	507,384	466,072
Tier 2 capital		
Regulatory reserve	3,612	3,612
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,087)	(3,612)
Tier 2 capital	525	-
Total capital	507,909	466,072
	Group RM'000	Bank RM'000
<u>At 31 December 2016</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	267,591	255,747
CET1 capital before regulatory adjustments	540,492	528,648
Less: Deferred tax assets	(14,465)	(14,465)
Intangible assets	(16,687)	(16,687)
Investment in subsidiaries and joint venture ¹	(12,282)	(42,283)
CET1 capital/Tier 1 capital/Total capital	497,058	455,213
Tier 2 capital		
Regulatory reserve	3,497	3,497
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,497)	(3,497)
Tier 2 capital	-	-
Total capital	497,058	455,213

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

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26. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
31 March 2017				
Exposure Class				
(i) Credit Risk				
Sovereigns/Central banks	284,080	284,080	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,154,235	1,154,235	376,492	30,119
Corporates	102,648	37,847	37,847	3,028
Regulatory retail	337,385	107,017	101,783	8,143
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	154,113	154,113	129,067	10,325
Total on-balance sheet exposures	2,071,906	1,776,737	704,357	56,348
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,108,323	1,108,323	326	26
Total off-balance sheet exposures	1,108,323	1,108,323	326	26
Total on and off-balance sheet exposures	3,180,229	2,885,060	704,683	56,374
(ii) Market Risk				
Interest rate risk	-	-	702	56
Equity position risk	-	-	14,747	1,180
Foreign currency risk	-	-	206,790	16,543
Options risk	-	-	10,900	871
Total	-	-	233,139	18,650
(iii) Operational Risk			832,400	66,592
Total RWA and capital requirements	3,180,229	2,885,060	1,770,222	141,616

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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 2016				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	265,652	265,652	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	859,976	859,976	267,686	21,415
Corporates	83,968	22,578	20,121	1,610
Regulatory retail	219,284	98,433	93,151	7,452
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	83,201	83,201	77,895	6,232
Total on-balance sheet exposures	1,551,526	1,369,285	518,021	41,442
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,114,931	1,114,931	1,640	131
Total off-balance sheet exposures	1,114,931	1,114,931	1,640	131
Total on and off-balance sheet exposures	2,666,457	2,484,216	519,661	41,573
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	731	58
Equity position risk	-	-	7,377	590
Foreign currency risk	-	-	152,542	12,203
Options risk	-	-	2,063	164
Total	-	-	162,713	13,015
(iii) <u>Operational Risk</u>				
	-	-	823,413	65,873
Total RWA and capital requirements	2,666,457	2,484,216	1,505,787	120,461

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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
31 March 2017				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	284,080	284,080	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,114,141	1,114,141	368,473	29,478
Corporates	102,648	37,847	37,847	3,028
Regulatory retail	337,385	107,017	101,783	8,143
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	154,378	154,378	129,334	10,347
Total on-balance sheet exposures	2,032,077	1,736,908	696,605	55,729
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,108,323	1,108,323	326	26
Total off-balance sheet exposures	1,108,323	1,108,323	326	26
Total on and off-balance sheet exposures	3,140,400	2,845,231	696,931	55,755
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	702	56
Equity position risk	-	-	14,747	1,180
Foreign currency risk	-	-	201,452	16,116
Options risk	-	-	10,900	872
Total	-	-	227,801	18,224
(iii) <u>Operational Risk</u>	-	-	822,112	65,769
Total RWA and capital requirements	3,140,400	2,845,231	1,746,844	139,748

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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
31 December 2016				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	265,652	265,652	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	820,017	820,017	259,694	20,776
Corporates	83,968	22,578	20,121	1,610
Regulatory retail	219,284	98,433	93,151	7,452
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	81,385	81,385	76,081	6,086
Total on-balance sheet exposures	1,509,751	1,327,510	508,215	40,657
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,114,931	1,114,931	1,640	131
Total off-balance sheet exposures	1,114,931	1,114,931	1,640	131
Total on and off-balance sheet exposures	2,624,682	2,442,441	509,855	40,788
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	731	58
Equity position risk	-	-	7,377	590
Foreign currency risk	-	-	147,056	11,764
Options risk	-	-	2,063	165
Total	-	-	157,227	12,577
(iii) <u>Operational Risk</u>				
	-	-	812,899	65,032
Total RWA and capital requirements	2,624,682	2,442,441	1,479,981	118,397

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27. Commitments and contingencies

Group and Bank	As at 31 March 2017			As at 31 December 2016		
	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	-	-	-	-	-	-
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,107,670	-	-	1,111,651	-	-
- Maturity exceeding one year	653	326	326	3,280	1,640	1,640
	1,108,323	326	326	1,114,931	1,640	1,640
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	497,601	-	-	505,133	-	-
Total commitments and contingencies	1,605,924	326	326	1,620,064	1,640	1,640

* 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 case is now fixed for decision on a later date to be informed by the Court.

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

The Bank and four (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.

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (Cont'd)

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.

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 23 October 2015, the Defendants filed their respective appeals to the Court of Appeal against the Striking Out Order and the Summary Judgement ('the Appeals').

On 6 December 2016, the Court of Appeal unanimously dismissed the Appeals with costs of RM20,000 to be paid by the Defendants to the Banks for each of the Appeals ('COA Decision').

On 30 December 2016 and 5 January 2017, the 1st Defendant and 2nd Defendant filed their respective applications to the Federal Court for leave to appeal to the Federal Court against the COA Decision ('FC Leave Application'). On 26 April 2017, the Federal Court allowed the FC Leave Application. The Federal Court will hear the appeal at a date to be informed by the Federal Court.

28. Segment information

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

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

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

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

(i) Pillar 1 - Investment banking and advisory

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

(ii) Pillar 2 - Equities

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

(iii) Others

This segment includes investment holding, nominee and custodian services.

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28. Segment information (Cont'd)

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

Group	Pillar 1	Pillar 2	Others	Total
31 March 2017	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	1,250	2,511	-	3,761
Net income from Islamic Banking Scheme operations	42,161	1,296	-	43,457
Non-interest income	8,717	57,719	-	66,436
Total revenue	<u>52,128</u>	<u>61,526</u>	-	<u>113,654</u>
Results				
Segment results	52,128	61,526	-	113,654
Overhead expenses	(14,749)	(28,096)	(25,553)	(68,398)
Allowance for impairment on loans and advances and other debtors, net	(1,293)	(136)	-	(1,429)
Share of results of a joint venture	-	-	(123)	(123)
Profit before taxation	<u>36,086</u>	<u>33,294</u>	<u>(25,676)</u>	<u>43,704</u>
Taxation and zakat				(12,114)
Profit for the period				<u>31,590</u>
Other segment information				
Depreciation	111	791	703	1,605
Amortisation	<u>106</u>	<u>614</u>	<u>290</u>	<u>1,010</u>
Group	Pillar 1	Pillar 2	Others	Total
31 March 2016	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	668	3,499	-	4,167
Net income from Islamic Banking Scheme operations	2,751	861	-	3,612
Non-interest income	76,889	51,924	-	128,813
Total revenue	<u>80,308</u>	<u>56,284</u>	-	<u>136,592</u>
Results				
Segment results	80,308	56,284	-	136,592
Overhead expenses	(15,558)	(29,450)	(21,691)	(66,699)
Allowance for impairment on loans and advances and other debtors, net	(150)	(307)	-	(457)
Writeback of impairment on derivative assets	-	802	-	802
Share of results of a joint venture	-	-	(137)	(137)
Profit before taxation	<u>64,600</u>	<u>27,329</u>	<u>(21,828)</u>	<u>70,101</u>
Taxation and zakat				(17,649)
Profit for the period				<u>52,452</u>
Other segment information				
Depreciation	111	514	1,022	1,647
Amortisation	<u>35</u>	<u>593</u>	<u>354</u>	<u>982</u>

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 31 March 2017

	Notes	Group and Bank	
		31 March 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	(a)	1,947	2,880
Other assets	(b)	375,139	326,287
Total assets		377,086	329,167
LIABILITIES			
Other liabilities	(c)	177,419	154,985
Provision for taxation and zakat	(d)	7,346	630
Total liabilities		184,765	155,615
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		187,321	168,552
		192,321	173,552
Total liabilities and Islamic banking fund		377,086	329,167

**Unaudited Statements of Comprehensive Income
For the First Quarter Ended 31 March 2017**

Group and Bank	Notes	Quarter Ended		Cumulative 3 Months Ended	
		31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Income derived from investment of Islamic banking capital funds	(e)	43,457	3,612	43,457	3,612
Income attributable to the Group and the Bank		43,457	3,612	43,457	3,612
Overhead expenses	(f)	(17,784)	(2,998)	(17,784)	(2,998)
Operating profit		25,673	614	25,673	614
Writeback of impairment on other debtors		130	-	130	-
Profit before taxation and zakat		25,803	614	25,803	614
Taxation		(6,193)	(150)	(6,193)	(150)
Zakat		(841)	-	(841)	-
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		18,769	464	18,769	464

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

Unaudited Statements of Changes in Equity
For the First Quarter Ended 31 March 2017

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2017	5,000	168,552	173,552
Profit for the period	-	18,769	18,769
Total comprehensive income for the period	-	18,769	18,769
At 31 March 2017	5,000	187,321	192,321
At 1 January 2016	5,000	167,545	172,545
Profit for the period	-	464	464
Total comprehensive income for the period	-	464	464
At 31 March 2016	5,000	168,009	173,009

Unaudited Statements of Cash Flows
For the First Quarter Ended 31 March 2017

	Group and Bank	
	31 March 2017 RM'000	31 March 2016 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating before working capital changes	25,803	614
(Increase)/decrease in receivables	(48,852)	298
Increase/(decrease) in payables	22,116	(1,747)
Net cash used in operating activities	(933)	(835)
Net decrease in cash and cash equivalents	(933)	(835)
Cash and cash equivalents at beginning of the period	2,880	2,365
Cash and cash equivalents at end of the period	1,947	1,530

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

(a) Cash and short-term funds

	Group and Bank	
	31 March 2017	31 December 2016
Cash and bank balances with financial institutions	1,947	2,880

(b) Other assets

	Group and Bank	
	31 March 2017	31 December 2016
	RM'000	RM'000
Debtors and prepayments	375,139	326,287

(c) Other liabilities

	Group and Bank	
	31 March 2017	31 December 2016
	RM'000	RM'000
Provisions and accruals	177,419	154,985

(d) Provision for taxation and zakat

	Group and Bank	
	31 March 2017	31 December 2016
	RM'000	RM'000
Taxation	6,193	318
Zakat	1,153	312
	7,346	630

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

	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	RM'000	RM'000	RM'000	RM'000
<u>Group and Bank</u>				
Fee and commission income from:				
- Arranger and upfront fees	25,331	1,289	25,331	1,289
- Brokerage income	1,296	860	1,296	860
- Corporate advisory fees	15,540	100	15,540	100
- Underwriting commission	-	625	-	625
- Others	1,290	1,009	1,290	1,009
Foreign exchange loss, net	-	(271)	-	(271)
Total	43,457	3,612	43,457	3,612

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

(f) Overhead expenses

<u>Group and Bank</u>	Quarter Ended		Cumulative 3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Personnel expenses	12,461	2,195	12,461	2,195
Establishment costs				
- Service chargeback	(907)	(264)	(907)	(264)
- Other establishment costs	2,852	655	2,852	655
Marketing expenses	941	194	941	194
Administration and general expenses	2,437	208	2,437	208
Total	17,784	2,988	17,784	2,988

(g) Capital adequacy

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

	Group and Bank %
<u>At 31 March 2017</u>	
CET1 capital ratio	75.486
Tier 1 capital ratio	75.486
Total capital ratio	<u>75.486</u>
<u>At 31 December 2016</u>	
CET1 capital ratio	93.875
Tier 1 capital ratio	93.875
Total capital ratio	<u>93.875</u>

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

	Group and Bank RM'000
<u>At 31 March 2017</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	187,321
CET1 capital/Tier 1 capital/Total capital	<u>192,321</u>
<u>At 31 December 2016</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	168,552
CET1 capital/Tier 1 capital/Total capital	<u>173,552</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>				
31 March 2017	Gross Credit	Net Credit	Risk-weighted	Capital
Exposure Class	exposures	exposures	assets	requirements
	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	1,944	1,944	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	3	3	1	-
Other assets	518,099	518,099	170,405	13,632
Total on-balance sheet exposures	520,046	520,046	170,405	13,632
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	520,046	520,046	170,405	13,632
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	84,370	6,750
Total RWA and capital requirements	520,046	520,046	254,778	20,382
<u>Group and Bank</u>				
31 December 2016	Gross Credit	Net Credit	Risk-weighted	Capital
Exposure Class	exposures	exposures	assets	requirements
	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	2,877	2,877	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4	4	1	-
Other assets	447,191	447,191	124,000	9,920
Total on-balance sheet exposures	450,072	450,072	124,001	9,920
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	450,072	450,072	124,001	9,920
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	60,871	4,870
Total RWA and capital requirements	450,072	450,072	184,875	14,790

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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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 March 2017 and 31 December 2016.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 31 March 2017				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	556,259	7,613	-	563,872
Derivative assets	-	5,827	-	5,827
	556,259	13,440	-	569,699
Financial liabilities measured at fair values:				
Derivative liabilities	3,325	99,228	-	102,553
As at 31 December 2016				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	457,580	11,350	-	468,930
Derivative assets	-	19,839	-	19,839
	457,580	31,189	-	488,769
Financial liabilities measured at fair values:				
Derivative liabilities	914	30,195	-	31,109

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

Valuation techniques

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

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.