

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

<u>Group</u>	Notes	30 June 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	14	680,283	534,129
Deposits and placements with financial institutions	15	553,340	388,587
Financial investments portfolio	16	565,095	508,408
Loans and advances	17	308,267	299,876
Derivative assets	20 (i)	13,093	19,839
Other assets	18	628,440	755,875
Tax recoverable		4,434	2,017
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		13,744	15,779
Property, plant and equipment		16,892	19,148
Intangible assets		15,470	16,687
Deferred tax assets		5,519	14,465
TOTAL ASSETS		2,804,682	2,574,915
LIABILITIES			
Deposits and placements from a licensed bank		652,818	615,483
Derivative liabilities	20 (ii)	107,806	31,109
Other liabilities	19	1,457,920	1,384,022
Provision for taxation and zakat		836	312
TOTAL LIABILITIES		2,219,380	2,030,926
SHAREHOLDER'S EQUITY			
Share capital		222,785	50,116
Reserves		362,517	493,873
TOTAL EQUITY		585,302	543,989
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,804,682	2,574,915
COMMITMENTS AND CONTINGENCIES	27	1,611,552	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)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

<u>Bank</u>	Notes	30 June 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	14	639,849	494,150
Deposits and placements with financial institutions	15	553,320	388,567
Financial investments portfolio	16	565,095	508,408
Loans and advances	17	308,267	299,876
Derivative assets	20 (i)	13,093	19,839
Other assets	18	626,993	753,939
Tax recoverable		2,430	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		16,877	19,133
Intangible assets		15,470	16,687
Deferred tax assets		5,519	14,465
TOTAL ASSETS		2,964,273	2,732,458
LIABILITIES			
Deposits and placements from a licensed bank		652,818	615,483
Derivative liabilities	20 (ii)	107,806	31,109
Other liabilities	19	1,626,967	1,553,409
Provision for taxation and zakat		836	312
TOTAL LIABILITIES		2,388,427	2,200,313
SHAREHOLDER'S EQUITY			
Share capital		222,785	50,116
Reserves		353,061	482,029
TOTAL EQUITY		575,846	532,145
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,964,273	2,732,458
COMMITMENTS AND CONTINGENCIES	27	1,611,552	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 COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2017

<u>Group</u>	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Interest income	21	11,778	8,996	22,300	17,532
Interest expense	22	(7,502)	(4,537)	(14,263)	(8,906)
Net interest income		4,276	4,459	8,037	8,626
Net income from Islamic Banking Scheme operations	29	4,790	8,158	48,247	11,770
Non-interest income	23	76,677	73,244	143,113	201,365
Net income		85,743	85,861	199,397	221,761
Overhead expenses	24	(70,182)	(69,724)	(138,580)	(135,731)
Operating profit		15,561	16,137	60,817	86,030
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	25	460	466	(969)	9
(Allowance for)/writeback of impairment on derivative assets		-	(13)	-	789
		16,021	16,590	59,848	86,828
Share of results of a joint venture		(1,228)	13	(1,351)	(124)
Profit before taxation and zakat		14,793	16,603	58,497	86,704
Taxation and zakat		(4,069)	(5,210)	(16,183)	(22,859)
Profit for the period, attributable to equity holder of the Bank		10,724	11,393	42,314	63,845
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		21	23	84	127
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(648)	462	(1,001)	(1,321)
Total other comprehensive (loss)/income for the period, net of tax		(648)	462	(1,001)	(1,321)
Total comprehensive income for the period, attributable to equity holder of the Bank		10,076	11,855	41,313	62,524

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2017

<u>Bank</u>	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Interest income	21	11,518	8,732	21,789	16,979
Interest expense	22	(7,502)	(4,537)	(14,263)	(8,906)
Net interest income		4,016	4,195	7,526	8,073
Net income from Islamic Banking Scheme operations	29	4,790	8,158	48,247	11,770
Non-interest income	23	75,954	71,541	142,068	199,116
Net income		84,760	83,894	197,841	218,959
Overhead expenses	24	(69,420)	(68,003)	(137,084)	(133,166)
Operating profit		15,340	15,891	60,757	85,793
Writeback of/(allowance for) impairment on loans and advances and other debtors, net (Allowance for)/writeback of impairment on derivative assets	25	460	541	(969)	234
		-	(13)	-	789
Profit before taxation and zakat		15,800	16,419	59,788	86,816
Taxation and zakat		(4,021)	(4,921)	(16,089)	(22,519)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		11,779	11,498	43,699	64,297

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 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	-	-	-	-	-	42,314	42,314	
Other comprehensive income	-	-	-	-	(1,001)	-	(1,001)	
Total comprehensive income for the period	-	-	-	-	(1,001)	42,314	41,313	
Transfer to regulatory reserve	-	-	-	90	-	(90)	-	
Transfer to retained earnings	-	-	(50,116)	-	-	50,116	-	
Transfer to share capital	172,669	(172,669)	-	-	-	-	-	
At 30 June 2017	222,785	-	-	3,587	756	358,174	585,302	
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 from 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	

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2017

Bank	<-----Non-distributable----->				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
At 1 January 2017	50,116	172,669	50,116	3,497	255,749	532,147
Profit for the period	-	-	-	-	43,699	43,699
Total comprehensive income for the period	-	-	-	-	43,699	43,699
Transfer to regulatory reserve	-	-	-	90	(90)	-
Transfer to retained earnings	-	-	(50,116)	-	50,116	-
Transfer to share capital	172,669	(172,669)	-	-	-	-
At 30 June 2017	222,785	-	-	3,587	349,474	575,846
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 from 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

(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 SECOND QUARTER ENDED 30 JUNE 2017

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit before taxation and zakat	58,497	86,704	59,788	86,816
Adjustment for non-operating and non-cash items	<u>(4,779)</u>	<u>(8,800)</u>	<u>(5,126)</u>	<u>(9,025)</u>
Operating profit before working capital changes	53,718	77,904	54,662	77,791
Changes in working capital:				
Net changes in operating assets	(18,852)	(213,957)	(20,028)	(215,054)
Net changes in operating liabilities	68,951	181,511	68,613	178,832
Taxation and zakat paid, net	<u>(9,130)</u>	<u>(9,405)</u>	<u>(9,015)</u>	<u>(8,878)</u>
Net cash generated from operating activities	94,687	36,053	94,232	32,691
Net cash generated from/(used in) investing activities	931	(1,635)	931	(1,635)
Net cash used in financing activity - dividends paid	-	(35,708)	-	(35,708)
Net increase/(decrease) in cash and cash equivalents	95,618	(1,290)	95,163	(4,652)
Cash and cash equivalents at beginning of the period	580,863	520,651	540,864	481,419
Cash and cash equivalents at end of the period	676,481	519,361	636,027	476,767
Cash and short-term funds	680,283	465,165	639,849	447,091
Deposits and placements with financial institutions	<u>553,340</u>	<u>305,464</u>	<u>553,320</u>	<u>280,944</u>
	1,233,623	770,629	1,193,169	728,035
Less:				
Cash and short-term funds and deposit and placements with original maturity more than three months	<u>(557,142)</u>	<u>(251,268)</u>	<u>(557,142)</u>	<u>(251,268)</u>
	676,481	519,361	636,027	476,767

(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 15: Classification to MFRS 15	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 30 June 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 second quarter ended 30 June 2017.

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

During the second quarter ended 30 June 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 second quarter ended 30 June 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 second quarter ended 30 June 2017.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the second quarter ended 30 June 2017.

10. Dividends

The Board of Directors have proposed a single-tier interim dividend in respect of the financial year ending 31 December 2017 of approximately RM0.70 on 50,116,000 ordinary shares amounting to a net dividend payment of RM35,081,200.

11. Significant and Subsequent Events

There were no significant and subsequent events during the second quarter ended 30 June 2017.

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12. Performance Review

For the period ended 30 June 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 29.3% from RM86.0 million to RM60.8 million.

Net interest income reduced by 6.8% to RM8.0 million and non-interest income decreased by 28.9% from RM201.4 million to RM143.1 million due to lower fee-based income from investment banking business. However, the Islamic Banking income increased by RM36.5 million from RM11.8 million to RM48.2 million. Overall, net income declined by 10.1% or RM22.4 million to RM199.4 million.

Overhead expenses increased by 2.1% or RM2.8 million to RM138.6 million from RM135.7 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 32.5% or RM28.2 million from RM86.7 million to RM58.5 million. Profit for the period decreased by 33.7% or RM21.5 million to RM42.3 million compared to the previous corresponding period.

13. Business Outlook

Global real Gross Domestic Product ("GDP") growth is forecasted to expand at +3.5% in 2017 (2016: +3.2%), from improved growth in the US (2017E: +2.1%; 2016: +1.6%) and India (2017: +7.2%; 2016: +7.1%), sustained growth in Europe (2017E: +1.9%), low growth in Japan (2017E: +1.3%; 2016: +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 4.8% (2016: +4.6%) supported by the recovery in external demand coupled with sustained momentum in domestic demand. Singapore is forecasted to grow at +3.0% (2016: +2.0%), Malaysia expected to expand at +5.5% (2016: +4.2%) and Indonesia to remain resilient at +5.1% (2016: +5.0%).

Malaysia's real GDP 2017 growth is supported by improvement in the manufacturing and services sectors amid exports recovery, higher consumer spending and investment growth. Investment growth for 2017 and 2018 are expected to be underpinned by the rollout of major infrastructure projects by the government. The Overnight Policy Rate is expected to remain unchanged at 3.00% in 2017.

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 ongoing challenging global environment.

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14. Cash and short-term funds

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
	Cash and bank balances with financial institutions	247,883	208,951	241,463
Deposit placements maturing within one month	432,400	325,178	398,386	292,671
Total cash and short-term funds	680,283	534,129	639,849	494,150

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM379,123,000 (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	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
	Licensed bank	553,340	388,587	553,320

16. Financial investments portfolio

		Group and Bank	
		30 June 2017 RM'000	31 December 2016 RM'000
		Financial assets at fair value through profit or loss	(i)
Financial investments available-for-sale	(ii)	39,445	39,445
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		565,095	508,408

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
	At fair value	
Quoted financial investments:		
Shares in Malaysia	371,814	337,563
Shares outside Malaysia	143,816	120,017
	515,630	457,580
Unquoted financial investments:		
Structured product	9,987	11,350
Total financial assets at fair value through profit or loss	525,617	468,930

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

	Group and Bank	
	30 June	31 December
	2017	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	
	30 June	31 December
	2017	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	
	30 June	31 December
	2017	2016
	RM'000	RM'000
Term loans		
- Syndicated term loan	-	6,447
- Other term loan	20,167	17,749
Amount due from brokers and clients		
- Margin accounts	265,798	258,717
Staff loans	22,681	23,337
Gross loans and advances	<u>308,646</u>	<u>306,250</u>
Less: Allowance for impairment losses		
- Individual assessment allowance	(266)	(6,270)
- Collective assessment allowance	(113)	(104)
Net loans and advances	<u>308,267</u>	<u>299,876</u>

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

	Group and Bank	
	30 June	31 December
	2017	2016
	RM'000	RM'000
Domestic business enterprises	76,504	80,482
Individuals	229,110	220,064
Foreign entities	3,032	5,704
Gross loans and advances	<u>308,646</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	
	30 June 2017 RM'000	31 December 2016 RM'000
	Fixed rate	
- Housing loans	11,561	11,522
- Hire purchase receivables	10,574	11,541
- Other fixed rate loans	546	6,721
Variable rate		
- BLR/BR-plus	265,798	258,717
- Cost-plus	20,167	17,749
Gross loans and advances	308,646	306,250

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
	Purchase of securities	265,798
Purchase of transport vehicles	10,574	11,541
Purchase of residential landed property	11,561	11,522
Personal use	546	274
Working capital	-	6,447
Others	20,167	17,749
Gross loans and advances	308,646	306,250

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
	Maturing within one year	266,490
One year to three years	3,253	2,782
Three years to five years	27,216	26,360
After five years	11,687	11,544
Gross loans and advances	308,646	306,250

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
	At 1 January	7,083
Impaired during the period	-	116
Recovered/regularised during the period	(6,454)	(14)
Gross impaired loans and advances	629	7,083
Less: Allowance for impairment losses		
- Individual assessment allowance	(266)	(6,270)
Net impaired loans and advances	363	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	
	30 June 2017 RM'000	31 December 2016 RM'000
Purchase of transport vehicles	159	159
Purchase of residential landed property	470	477
Working capital	-	6,447
Gross impaired loans and advances	629	7,083

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

	Group and Bank	
	30 June 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)	(6,004)	-
Balance at end of period	266	6,270
Collective assessment allowance		
At 1 January	104	-
Allowance made during the period (Note 25)	9	104
Balance at end of period	113	104

18. Other assets

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	553,124	685,716	553,124	685,716
Amount due from holding company	8,895	11,971	8,895	11,971
Other debtors, deposits and prepayment	82,561	73,036	77,389	67,397
	644,580	770,723	639,408	765,084
Less: Allowance for impairment losses	(16,140)	(14,848)	(12,415)	(11,145)
	628,440	755,875	626,993	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	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Provisions and accruals	46,797	85,384	46,615	85,202
Amount due to brokers and clients (a)	547,473	691,678	547,473	691,678
Deposits and other creditors	799,492	525,980	797,247	523,915
Amount due to:				
- Holding company	56,543	73,459	56,543	73,459
- Related companies	7,615	7,521	7,615	7,521
- Subsidiaries	-	-	171,474	171,634
	<u>1,457,920</u>	<u>1,384,022</u>	<u>1,626,967</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			
	30 June 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	81,127	13,093	320,098	19,839
	<u>81,127</u>	<u>13,093</u>	<u>320,098</u>	<u>19,839</u>

(ii) Derivative liabilities

	Group and Bank			
	30 June 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	99,143	29,169	61,298	26,817
Equity swaps				
- Less than one year	305,856	78,637	123,737	4,292
	<u>404,999</u>	<u>107,806</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 6 Months Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Equity related derivatives:				
Index futures	-	45	5	1,004
Equity options	(646)	25,298	(8,134)	24,756
Equity swaps	11,770	(7,317)	(81,091)	(273)
	11,124	18,026	(89,220)	25,487

21. Interest income

	Group			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	5,566	5,239	11,045	10,293
- Interest income on impaired loans	25	40	47	73
Money at call and deposits and placements with financial institutions	5,802	3,506	10,465	6,774
Others	385	211	743	392
Total interest income	11,778	8,996	22,300	17,532

	Bank			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	5,566	5,239	11,045	10,293
- Interest income on impaired loans	25	40	47	73
Money at call and deposits and placements with financial institutions	5,542	3,242	9,954	6,221
Others	385	211	743	392
Total interest income	11,518	8,732	21,789	16,979

22. Interest expense

	Group and Bank			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a licensed bank	3,337	2,764	6,404	5,875
Derivative financial instruments	4,165	1,773	7,859	3,031
Total interest expense	7,502	4,537	14,263	8,906

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23. Non-interest income

Group	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Fee and commission income:				
Arranger and upfront fees	6,475	16,617	12,519	21,470
Brokerage income	50,416	33,436	96,566	72,065
Corporate advisory fees	3,772	4,446	5,324	81,672
Placement and related fees	3,097	(58)	3,100	1,815
Underwriting commission	908	870	1,421	1,411
Others	3,430	1,309	6,525	3,186
	68,098	56,620	125,455	181,619
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	15,658	(18,368)	36,026	(26,833)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(9,448)	(11,528)	91,922	(21,262)
Realised (loss)/gain from sale of derivative financial instruments, net	(14,565)	22,297	(29,759)	33,232
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	11,124	18,026	(89,220)	25,487
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	2,170	2,494	2,238	4,118
- Quoted outside Malaysia	431	-	431	-
	5,370	12,921	11,638	14,742
Other income:				
Unrealised foreign exchange gain from securities				
Foreign exchange gain, net	2,012	2,237	3,824	2,015
Gain from disposal of property, plant and equipment	-	42	-	42
Others	1,197	1,424	2,196	2,947
	3,209	3,703	6,020	5,004
Total non-interest income	76,677	73,244	143,113	201,365

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23. Non-interest income (Cont'd)

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Bank				
Fee and commission income:				
Arranger and upfront fees	6,475	16,617	12,519	21,470
Brokerage income	50,416	33,436	96,566	72,065
Corporate advisory fees	3,052	2,740	4,282	79,419
Placement and related fees	3,097	(58)	3,100	1,815
Underwriting commission	908	870	1,421	1,411
Others	3,430	1,309	6,525	3,186
	67,378	54,914	124,413	179,366
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	18,374	(18,368)	36,026	(26,833)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(9,448)	(11,528)	91,922	(21,262)
Realised (loss)/gain from sale of derivative financial instruments, net	(17,281)	22,297	(29,759)	33,232
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	11,124	18,026	(89,220)	25,487
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	2,170	2,494	2,238	4,118
- Quoted outside Malaysia	431	-	431	-
	5,370	12,921	11,638	14,742
Other income:				
Foreign exchange gain, net	2,012	2,236	3,824	2,014
Gain from disposal of property, plant and equipment	-	42	-	42
Others	1,194	1,428	2,193	2,952
	3,206	3,706	6,017	5,008
Total non-interest income	75,954	71,541	142,068	199,116

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24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	46,280	42,477	91,378	83,255
- Pension costs - defined contribution plan	4,732	4,364	9,204	8,567
- Employees' Share Scheme expenses	1,236	1,792	2,425	3,482
- Other staff related expenses	2,680	3,301	4,572	5,467
	54,928	51,934	107,579	100,771
Establishment costs				
- Depreciation of property, plant and equipment	1,579	1,626	3,184	3,273
- Amortisation of computer software	1,017	1,155	2,027	2,137
- Rental	2,720	2,777	5,526	5,714
- Repairs and maintenance of property, plant and equipment	2,907	2,489	4,758	5,906
- Information technology expenses	3,263	3,108	6,403	5,377
- Service chargeback	(6,552)	(3,725)	(11,437)	(7,466)
- Others	439	468	818	1,364
	5,373	7,898	11,279	16,305
Marketing costs				
- Advertisement and publicity	3,350	2,500	6,030	5,938
- Others	1,368	2,026	2,806	3,009
	4,718	4,526	8,836	8,947
Administration and general expenses				
- Fee and brokerage	3,084	3,413	7,211	5,842
- Administrative expenses	1,053	986	1,870	1,800
- General expenses	1,026	967	1,805	2,066
	5,163	5,366	10,886	9,708
Total overhead expenses	70,182	69,724	138,580	135,731

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24. Overhead expenses (Cont'd)

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Bank				
Personnel expenses				
- Salaries, allowances and bonuses	46,280	42,477	91,378	83,255
- Pension costs - defined contribution plan	4,732	4,364	9,204	8,567
- Employees' Share Scheme expenses	1,236	1,792	2,425	3,482
- Other staff related expenses	2,680	3,300	4,572	5,466
	<u>54,928</u>	<u>51,933</u>	<u>107,579</u>	<u>100,770</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,579	1,626	3,184	3,273
- Amortisation of computer software	1,017	1,155	2,027	2,137
- Rental	2,720	2,777	5,526	5,714
- Repairs and maintenance of property, plant and equipment	2,906	2,489	4,757	5,905
- Information technology expenses	3,263	3,108	6,403	5,377
- Service chargeback	(7,282)	(5,367)	(12,871)	(9,930)
- Others	439	468	818	1,364
	<u>4,642</u>	<u>6,256</u>	<u>9,844</u>	<u>13,840</u>
Marketing costs				
- Advertisement and publicity	3,350	2,500	6,030	5,938
- Others	1,369	2,032	2,814	3,032
	<u>4,719</u>	<u>4,532</u>	<u>8,844</u>	<u>8,970</u>
Administration and general expenses				
- Fee and brokerage	3,065	3,384	7,170	5,792
- Administrative expenses	1,040	945	1,842	1,742
- General expenses	1,026	953	1,805	2,052
	<u>5,131</u>	<u>5,282</u>	<u>10,817</u>	<u>9,586</u>
Total overhead expenses	<u>69,420</u>	<u>68,003</u>	<u>137,084</u>	<u>133,166</u>

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

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	(3)	-	(3)
- Collective allowance made	5	-	(9)	-
Bad debts recovered	236	453	332	561
Allowance for impairment on other debtors, net	219	16	(1,292)	(549)
Total	460	466	(969)	9

<u>Bank</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	(3)	-	(3)
- Collective allowance made	5	-	(9)	-
Bad debts recovered	236	453	332	561
Allowance for impairment on other debtors, net	219	91	(1,292)	(324)
Total	460	541	(969)	234

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:

<u>At 30 June 2017</u>	Group %	Bank %
CET1 capital ratio	32.093	30.140
Tier 1 capital ratio	32.093	30.140
Total capital ratio	32.142	30.140
<u>At 31 December 2016</u>	Group %	Bank %
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 30 June 2017</u>		
Paid-up share capital	222,785	222,785
Other reserves	358,930	349,474
CET1 capital before regulatory adjustments	581,715	572,259
Less: Deferred tax assets	(5,519)	(5,519)
Intangible assets	(15,470)	(15,470)
Investment in subsidiaries and joint venture ¹	(10,995)	(42,193)
CET1 capital/Tier 1 capital	549,731	509,077
Tier 2 capital		
Regulatory reserve	3,587	3,587
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(2,749)	(3,587)
Tier 2 capital	838	-
Total capital	550,569	509,077
<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
30 June 2017				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	342,019	342,019	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,304,802	1,304,802	430,564	34,445
Corporates	78,265	37,417	37,417	2,993
Regulatory retail	229,177	100,262	94,993	7,600
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	96,628	96,628	85,197	6,816
Total on-balance sheet exposures	2,090,336	1,920,573	707,339	56,587
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,125,426	1,125,426	287	23
Total off-balance sheet exposures	1,125,426	1,125,426	287	23
Total on and off-balance sheet exposures	3,215,762	3,045,999	707,626	56,610
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	538	43
Equity position risk	-	-	19,004	1,520
Foreign currency risk	-	-	170,195	13,615
Options risk	-	-	3,250	260
Total	-	-	192,987	15,438
(iii) <u>Operational Risk</u>	-	-	812,310	64,985
Total RWA and capital requirements	3,215,762	3,045,999	1,712,924	137,034

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26. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross exposures	Net Exposures	Risk-weighted assets	Capital requirements
31 December 2016				
Exposure Class	RM'000	RM'000	RM'000	RM'000
(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
30 June 2017				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	342,019	342,019	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,264,387	1,264,387	422,481	33,798
Corporates	78,265	37,417	37,417	2,993
Regulatory retail	229,176	100,261	94,993	7,599
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	95,126	95,126	83,697	6,696
Total on-balance sheet exposures	2,048,418	1,878,655	697,756	55,820
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,125,426	1,125,426	287	23
Total off-balance sheet exposures	1,125,426	1,125,426	287	23
Total on and off-balance sheet exposures	3,173,844	3,004,081	698,043	55,843
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	538	43
Equity position risk	-	-	19,004	1,520
Foreign currency risk	-	-	165,059	13,205
Options risk	-	-	3,250	260
Total	-	-	187,851	15,028
(iii) <u>Operational Risk</u>	-	-	803,158	64,253
Total RWA and capital requirements	3,173,844	3,004,081	1,689,052	135,124

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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 2016	RM'000	RM'000	RM'000	RM'000
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 30 June 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	1,124,852	-	-	1,111,651	-	-
- Maturity exceeding one year	574	287	287	3,280	1,640	1,640
	1,125,426	287	287	1,114,931	1,640	1,640
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	486,126	-	-	505,133	-	-
Total commitments and contingencies	1,611,552	287	287	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 24 July 2017, the High Court found that the Plaintiffs had proven their claim in the sum of RM177.3 million ('the Judgment Sum') against all the Defendants. The Judgment Sum is only the principal sum and excludes interest and cost that have yet to be awarded and accounted for. The Bank will submit on consequential orders including interest and on the issue of costs on 31 July 2017.

On 18 August 2017, the parties submitted on the quantum of the Judgment Sum, applicable interest and costs. The Court has fixed 11 September 2017 for decision of the foregoing.

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.

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).

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (Cont'd)

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 1st Defendant and the 2nd Defendant can now file their appeals to the Federal Court against the Summary Judgment ('FC Appeals'). The FC Appeals are now fixed for case management on 11 October 2017 pending the 1st Defendant and the 2nd Defendant obtaining the written grounds from the Court of Appeal on the COA Decision.

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 2017	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	2,247	5,790	-	8,037
Net income from Islamic Banking Scheme operations	45,721	2,526	-	48,247
Non-interest income	26,039	117,074	-	143,113
Total revenue	74,007	125,390	-	199,397
Results				
Segment results	74,007	125,390	-	199,397
Overhead expenses	(28,964)	(57,397)	(52,219)	(138,580)
Allowance for impairment on loans and advances and other debtors, net	(766)	(203)	-	(969)
Share of results of a joint venture	-	-	(1,351)	(1,351)
Profit before taxation	44,277	67,790	(53,570)	58,497
Taxation and zakat				(16,183)
Profit for the period				42,314
Other segment information				
Depreciation	207	1,567	1,410	3,184
Amortisation	212	1,209	606	2,027

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	106,437	(1,710)	201,365
Total revenue	107,894	115,577	(1,710)	221,761
Results				
Segment results	107,894	115,577	(1,710)	221,761
Overhead expenses	(31,314)	(59,459)	(44,958)	(135,731)
Allowance for 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

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 June 2017

	Notes	Group and Bank	
		30 June 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	(a)	7,981	2,880
Other assets	(b)	337,881	326,287
Total assets		345,862	329,167
LIABILITIES			
Other liabilities	(c)	146,239	154,985
Provision for taxation and zakat	(d)	7,149	630
Total liabilities		153,388	155,615
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		187,474	168,552
		192,474	173,552
Total liabilities and Islamic banking fund		345,862	329,167

**Unaudited Statements of Comprehensive Income
For the Second Quarter Ended 30 June 2017**

Group and Bank	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of Islamic banking capital funds	(e)	4,790	8,158	48,247	11,770
Income attributable to the Group and the Bank		4,790	8,158	48,247	11,770
Overhead expenses	(f)	(4,360)	(6,965)	(22,144)	(9,953)
Operating profit		430	1,193	26,103	1,817
(Allowance for)/writeback of impairment on other debtors		-	(80)	130	(80)
Profit before taxation and zakat		430	1,113	26,233	1,737
Taxation		(103)	(266)	(6,296)	(416)
Zakat		(174)	-	(1,015)	-
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		153	847	18,922	1,321

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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 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	-	18,922	18,922
Total comprehensive income for the period	-	18,922	18,922
At 30 June 2017	5,000	187,474	192,474
At 1 January 2016	5,000	167,545	172,545
Profit for the period	-	1,321	1,321
Total comprehensive income for the period	-	1,321	1,321
At 30 June 2016	5,000	168,866	173,866

Unaudited Statements of Cash Flows
For the Second Quarter Ended 30 June 2017

	Group and Bank	
	30 June 2017 RM'000	30 June 2016 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating before working capital changes	26,233	1,737
(Increase)/decrease in receivables	(11,594)	19,663
(Decrease)/increase in payables	(9,538)	10,310
Net cash generated from operating activities	5,101	31,710
Net increase in cash and cash equivalents	5,101	31,710
Cash and cash equivalents at beginning of the period	2,880	2,365
Cash and cash equivalents at end of the period	7,981	34,075

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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 2017	31 December 2016
Cash and bank balances with financial institutions	7,981	2,880

(b) Other assets

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Debtors and prepayments	337,881	326,287

(c) Other liabilities

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Provisions and accruals	146,239	154,985

(d) Provision for taxation and zakat

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Taxation	6,296	318
Zakat	853	312
	7,149	630

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Group and Bank</u>				
Realised gain from sale of financial assets at fair value through profit or loss, net	253	-	253	-
Fee and commission income from:				
- Arranger and upfront fees	1,182	4,841	26,513	6,130
- Brokerage income	1,230	1,307	2,526	2,167
- Corporate advisory fees	520	135	16,060	235
- Underwriting commission	-	-	-	625
- Placement fees	-	150	-	150
- Others	1,605	1,725	2,895	2,734
Foreign exchange loss, net	-	-	-	(271)
Total	4,790	8,158	48,247	11,770

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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 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Group and Bank</u>				
Personnel expenses	3,018	5,111	15,479	7,306
Establishment costs				
- Service chargeback	40	(483)	(867)	(747)
- Other establishment costs	649	1,241	3,501	1,896
Marketing expenses	240	442	1,181	636
Administration and general expenses	413	655	2,850	863
Total	4,360	6,965	22,144	9,953

(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 2017</u>	
CET1 capital ratio	88.953
Tier 1 capital ratio	88.953
Total capital ratio	<u>88.953</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 30 June 2017</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	187,474
CET1 capital/Tier 1 capital/Total capital	<u>192,474</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>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
30 June 2017 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,978	7,978	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4	4	1	-
Other assets	495,370	495,370	132,554	10,604
Total on-balance sheet exposures	503,352	503,352	132,555	10,604
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	503,352	503,352	132,555	10,604
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	83,819	6,706
Total RWA and capital requirements	503,352	503,352	216,377	17,310

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
31 December 2016 Exposure Class	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 five 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 2017 and 31 December 2016.

<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 2017				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	515,630	9,987	-	525,617
Derivative assets	-	13,093	-	13,093
	515,630	23,080	-	538,710
Financial liabilities measured at fair values:				
Derivative liabilities	1,115	106,691	-	107,806
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.