

MAYBANK INVESTMENT BANK BERHAD
(Co. Reg. No.: 197301002412)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

<u>Group</u>	Note	31 December 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	14	815,210	834,236
Deposits and placements with a financial institution	15	644,478	858,974
Financial investments portfolio	16	911,394	373,034
Loans and advances	17	346,616	368,646
Derivative assets	21 (i)	50,348	251,224
Other assets	18	491,786	827,135
Tax recoverable		23,223	25,250
Statutory deposit with Bank Negara Malaysia		105	105
Investment in a joint venture		1,147	2,813
Property, plant and equipment		6,556	9,632
Right-of-use assets		13,229	-
Intangible assets		11,841	15,021
Deferred tax assets		13,102	16,378
TOTAL ASSETS		3,329,035	3,582,448
LIABILITIES			
Deposits and placements from a financial institution	19	1,193,885	1,003,316
Derivative liabilities	21 (i)	280,221	228,382
Other liabilities	20	1,220,235	1,749,769
Provision for zakat		1,102	656
TOTAL LIABILITIES		2,695,443	2,982,123
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		410,807	377,540
TOTAL EQUITY		633,592	600,325
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,329,035	3,582,448
COMMITMENTS AND CONTINGENCIES	29	2,401,701	1,692,394

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

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AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

<u>Bank</u>	Note	31 December 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	14	777,622	795,242
Deposits and placements with a financial institution	15	644,458	858,954
Financial investments portfolio	16	911,394	373,034
Loans and advances	17	346,616	368,646
Derivative assets	21 (i)	50,348	251,224
Other assets	18	491,703	823,930
Tax recoverable		22,512	23,362
Statutory deposit with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Property, plant and equipment		6,556	9,617
Right-of-use assets		13,229	-
Intangible assets		11,841	15,021
Deferred tax assets		13,102	16,378
TOTAL ASSETS		3,492,745	3,738,772
LIABILITIES			
Deposits and placements from a financial institution	19	1,193,885	1,003,316
Derivative liabilities	21 (i)	280,221	228,382
Other liabilities	20	1,391,070	1,916,880
Provision for zakat		1,102	656
TOTAL LIABILITIES		2,866,278	3,149,234
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		403,682	366,753
TOTAL EQUITY		626,467	589,538
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,492,745	3,738,772
COMMITMENTS AND CONTINGENCIES	29	2,401,701	1,692,394

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

<u>Group</u>	Notes	Unaudited		Audited	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Interest income	22	13,394	19,333	62,215	74,305
Interest expense	23	(11,091)	(13,815)	(45,101)	(51,147)
Net interest income		2,303	5,518	17,114	23,158
Income from Islamic Banking Scheme operations	31	17,619	14,489	59,160	51,666
Non-interest income	24	123,835	61,294	336,497	297,405
Direct costs	25	(2,843)	(7,791)	(20,601)	(31,128)
Net income		140,914	73,510	392,170	341,101
Overhead expenses	26	(89,667)	(86,021)	(293,762)	(290,523)
Operating profit		51,247	(12,511)	98,408	50,578
Writeback of/(allowance for) impairment on loans and advances and other assets, net	27	1,646	(1,750)	1,354	(1,539)
Provision for contingent liability		-	-	(4,500)	-
		52,893	(14,261)	95,262	49,039
Share of results of a joint venture		(386)	(906)	(1,633)	(3,064)
Profit/(loss) before taxation and zakat		52,507	(15,167)	93,629	45,975
Taxation and zakat		(13,436)	3,344	(26,208)	(12,771)
Profit/(loss) for the period/year, attributable to equity holder of the Bank		39,071	(11,823)	67,421	33,204
Basic and diluted earnings/(loss) per share (sen), attributable to equity holder of the Bank		78	(24)	135	66
Other comprehensive (loss)/income:					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Net loss on revaluation of financial assets at fair value through other comprehensive income		-	12	(14)	12
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Net (loss)/gain on foreign exchange translation		(70)	136	98	(16)
Other comprehensive (loss)/income for the period/year, net of tax		(70)	148	84	(4)
Total comprehensive income/(loss) for the period/year, attributable to equity holder of the Bank		39,001	(11,675)	67,505	33,200

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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2019

<u>Bank</u>	Notes	Unaudited		Audited	
		Fourth Quarter Ended 31 December 2019 RM'000	31 December 2018 RM'000	Cumulative 12 Months Ended 31 December 2019 RM'000	31 December 2018 RM'000
Interest income	22	13,158	19,055	61,175	73,194
Interest expense	23	(11,091)	(13,815)	(45,101)	(51,147)
Net interest income		2,067	5,240	16,074	22,047
Income from Islamic Banking Scheme operations	31	17,619	14,489	59,160	51,666
Non-interest income	24	123,835	61,293	339,857	297,362
Direct costs	25	(2,843)	(7,791)	(20,601)	(31,128)
Net income		140,678	73,231	394,490	339,947
Overhead expenses	26	(89,630)	(84,988)	(293,609)	(287,910)
Operating profit		51,048	(11,757)	100,881	52,037
Allowance for impairment on investment in a joint venture		-	(2,596)	-	(5,996)
Writeback of/(allowance for) impairment on loans and advances and other assets, net	27	1,673	(2,068)	581	(1,957)
Provision for contingent liability		-	-	(4,500)	-
Profit/(loss) before taxation and zakat		52,721	(16,421)	96,962	44,084
Taxation and zakat		(12,934)	3,399	(25,781)	(12,559)
Profit/(loss) for the period/year		39,787	(13,022)	71,181	31,525
Other comprehensive loss:					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Net loss on revaluation of financial assets at fair value through other comprehensive income		-	12	(14)	12
Other comprehensive loss for the period/year, net of tax		-	12	(14)	12
Total comprehensive (loss)/income for the period/year, attributable to equity holder of the Bank		39,787	(13,010)	71,167	31,537

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

<u>Group</u>	<-----Non-distributable----->				Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	222,785	34,777	930	(396)	342,229	600,325
Profit for the year	-	-	-	-	67,421	67,421
Other comprehensive (loss)/income	-	-	(14)	98	-	84
Total comprehensive (loss)/income for the year	-	-	(14)	98	67,421	67,505
Transfer from regulatory reserve	-	(4,389)	-	-	4,389	-
Dividends	-	-	-	-	(34,238)	(34,238)
At 31 December 2019	222,785	30,388	916	(298)	379,801	633,592
At 1 January 2018						
- as previously stated	222,785	5,022	-	(380)	416,961	644,388
- effect of adopting MFRS 9	-	28,378	918	-	(28,159)	1,137
At 1 January 2018, as restated	222,785	33,400	918	(380)	388,802	645,525
Profit for the period	-	-	-	-	33,204	33,204
Other comprehensive loss	-	-	12	(16)	-	(4)
Total comprehensive (loss)/income for the period	-	-	12	(16)	33,204	33,200
Transfer to regulatory reserve	-	1,377	-	-	(1,377)	-
Dividend	-	-	-	-	(78,400)	(78,400)
At 31 December 2018	222,785	34,777	930	(396)	342,229	600,325

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	<-----Non-distributable----->			Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve RM'000	Retained earnings RM'000	Total RM'000
Bank					
At 1 January 2019	222,785	34,777	930	331,046	589,538
Profit for the year	-	-	-	71,181	71,181
Other comprehensive loss	-	-	(14)	-	(14)
Total comprehensive (loss)/income for the year	-	-	(14)	71,181	71,167
Transfer from regulatory reserve	-	(4,389)	-	4,389	-
Dividends	-	-	-	(34,238)	(34,238)
At 31 December 2019	222,785	30,388	916	372,378	626,467
At 1 January 2018					
- as previously stated	222,785	5,022	-	407,457	635,264
- effect of adopting MFRS 9	-	28,378	918	(28,159)	1,137
At 1 January 2018, as restated	222,785	33,400	918	379,298	636,401
Profit for the period	-	-	-	31,525	31,525
Other comprehensive income	-	-	12	-	12
Total comprehensive income for the year	-	-	12	31,525	31,537
Transfer to regulatory reserve	-	1,377	-	(1,377)	-
Dividend	-	-	-	(78,400)	(78,400)
At 31 December 2018	222,785	34,777	930	331,046	589,538

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Bank	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		93,629	45,975	96,962	44,084
Adjustments for:					
Share of results of a joint venture		1,633	3,064	-	-
Depreciation of property, plant and equipment	26	4,538	6,701	4,523	6,701
Depreciation of right-of-use assets	26	8,293	-	8,293	-
Amortisation of computer software	26	5,059	5,049	5,059	5,049
(Writeback for)/allowance for impairment on loans and advances and other assets, net		(719)	2,232	54	2,650
Allowance for impairment on investment in a joint venture		-	-	-	5,996
Gross dividends	24	(10,593)	(8,773)	(13,953)	(13,323)
Realised (gain)/loss from sale of financial assets at fair value through profit or loss, net	24	(108,445)	31,324	(108,445)	31,324
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	24	(142,342)	(142,615)	(142,342)	(142,615)
Realised loss/(gain) from sale of derivative financial instruments, net	24	161,361	(58,573)	161,361	(58,573)
Unrealised loss on revaluation of derivative financial instruments, net	24	43,289	120,579	43,289	120,579
Operating profit before working capital changes		55,703	4,963	54,801	1,872
Change in cash and short-term funds with original maturity more than three months		78,710	(84,661)	78,710	(84,661)
Change in deposits and placements with original maturity more than three months		200,991	(35,638)	200,991	(35,638)
Change in financial investments portfolio and derivative financial instruments		(239,508)	(10,809)	(239,522)	(10,809)
Change in loans and advances		22,167	102,753	22,167	102,753
Change in other assets		314,526	123,589	310,514	126,443
Change in deposits and placements from a financial institution		190,569	259,358	190,569	259,358
Change in other liabilities		(520,831)	(197,271)	(517,107)	(200,307)
Cash generated from operations		102,327	162,284	101,123	159,011
Taxation and zakat paid, net		(20,459)	(25,506)	(21,209)	(25,278)
Net cash generated from operating activities		81,868	136,778	79,914	133,733
Cash flows from investing activities					
Purchase of property, plant and equipment (Purchase of computer software)/proceeds from disposal of computer software		(1,462)	(1,422)	(1,462)	(1,422)
Net dividends received		10,593	8,773	13,953	13,323
Net cash generated from investing activities		7,252	3,593	10,612	8,143
Cash flows from financing activities					
Dividends paid		(34,238)	(78,400)	(34,238)	(78,400)
Repayment of lease liabilities		(8,703)	-	(8,703)	-
Net cash used in financing activities		(42,941)	(78,400)	(42,941)	(78,400)
Net increase in cash and cash equivalents		46,179	61,971	47,585	63,476
Cash and cash equivalents at the beginning of the year		766,134	704,163	727,120	663,644
Cash and cash equivalents at the end of the year		812,313	766,134	774,705	727,120

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019 (CONT'D.)

	Note	Group		Bank	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cash and cash equivalents comprise:					
Cash and short-term funds	14	815,210	834,236	777,622	795,242
Deposits and placements with a financial institution	15	644,478	858,974	644,458	858,954
		<u>1,459,688</u>	<u>1,693,210</u>	<u>1,422,080</u>	<u>1,654,196</u>
Less:					
Cash and short-term funds and deposits and placements with original maturity more than three months		(647,375)	(927,076)	(647,375)	(927,076)
		<u>812,313</u>	<u>766,134</u>	<u>774,705</u>	<u>727,120</u>

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

1. Basis of Preparation

The audited 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 at fair value through other comprehensive income and derivative financial instruments.

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

The audited condensed interim financial statements do not include all the information and disclosure required in the audited financial statements, and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. These explanatory notes attached to the audited 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 2018.

The audited 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 by the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2018 except for adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2019:

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Prepayment Features with Negative Compensation</i> (Amendments to MFRS 9)	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to MFRS 128)	To be announced by MASB
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) MFRS 3 <i>Business Combinations</i>	1 January 2019
(ii) MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(iii) MFRS 112 <i>Income Tax</i>	1 January 2019
(iv) MFRS 123 <i>Borrowing Costs</i>	1 January 2019
MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i> (Amendments to MFRS 119)	1 January 2019
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 2: <i>Share-Based Payment</i>	1 January 2020
Amendments to MFRS 3: <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 3: <i>Definition of Business</i>	1 January 2020
Amendments to MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101: <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134: <i>Interim Financial Reporting</i>	1 January 2020
Amendments to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendments to MFRS 138: <i>Intangible Assets</i>	1 January 2020
Amendments to IC Interpretation 12: <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendments to IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020

Adoption of the above standards and annual improvements to standards do not have any significant financial impact on the financial statements of the Group and of the Bank in the period of initial application, except for those discussed below:

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

1. Basis of Preparation (Cont'd)

MFRS 16 Leases ("MFRS 16")

Before the adoption of MFRS 16, the Group and the Bank classified each of its leases such as premises for branches, data centres and IT and office equipments at the inception date as either a finance lease or an operating lease in accordance with MFRS 117 Leases. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group or the Bank; otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under other assets:prepayments and other liabilities:accruals, respectively.

MFRS 16 is mandatorily applicable initially for annual periods beginning on or after 1 January 2019 and replaces MFRS 117, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease — Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 17. Therefore, MFRS 16 did not have an impact for leases where the Group or the Bank is the lessor.

The Group and the Bank have analysed the impact of the first-time application of MFRS 16, including existing processes, systems and policies. The Group and the Bank have developed its approach for assessing the different types of leases including applying the recognition exemptions in the standard that allows the Group and the Bank not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets; and incorporating forward-looking assumptions in making certain decisions such as extension and termination options on lease contracts of which management have assessed on a case by case basis.

Leases previously classified as operating leases - The Group and the Bank as lessee

On 1 January 2019, the Group and the Bank have applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restate prior year/period comparatives information which remain as previously reported under MFRS 117 and related interpretations. The Group and the Bank also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application. The Group and the Bank have elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there were no impact to the retained earnings brought forward as at 1 January 2019.

The Group and the Bank elected the following transition practical expedients on a lease-by-lease basis for measurement purposes at first-time application of the standard:

- (1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;
- (3) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and
- (4) The Group and the Bank used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The detailed financial impact of the adoption of MFRS 16 on the financial statements of the Group and of the Bank are disclosed in Note 34.

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

1. Basis of Preparation (Cont'd)

MFRS 16 Leases ("MFRS 16") (Cont'd)

Right-of-Use Assets

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Group and the Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

Lease Liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating a lease, if the lease term reflects the Group and the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-Term Leases and Leases of Low-Value Assets

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

1. Basis of Preparation (Cont'd)

MFRS 16 Leases ("MFRS 16") (Cont'd)

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options (Cont'd)

The Group and the Bank have the option, under some of its leases to lease the assets for additional terms of three to five years. The Group and the Bank apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of premises and IT equipments due to the significance of these assets to its operations.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 were prepared in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The significant accounting policies adopted in preparing these audited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2018 except for the adoption of the new MFRS, amendments to MFRS and annual improvements to MFRS which are effective for annual periods beginning on or after 1 January 2019 as disclosed in Note 1.

3. Significant Accounting Estimates and Judgements

The preparation of audited condensed interim financial statements requires management to make judgements, 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 judgements are based on management's best knowledge of current events and actions, actual results may differ.

In preparing these audited 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 were applied to the audited financial statements for the financial year ended 31 December 2018.

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4. Auditors' Report on Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2018 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 during the fourth quarter ended 31 December 2019.

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

During the fourth quarter ended 31 December 2019, 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 fourth quarter ended 31 December 2019.

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 fourth quarter ended 31 December 2019.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the fourth quarter ended 31 December 2019.

10. Dividends Paid/Payable

A single-tier interim dividend in respect of the financial year ending 31 December 2019 of approximately RM0.68 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM34,238,000 was approved and subsequently paid to the shareholder on 19 September 2019.

11. Significant and Subsequent Event

On 9 December 2019, the Board of Directors of the Bank had approved the disposal of its 100% owned subsidiary, Binafikir Sdn Bhd for a total cash consideration of RM742,011 representing the sale of 650,000 equity shares. The sale is expected to be completed by March 2020.

12. Performance Review

For the financial year ended 31 December 2019, the Group's operating profit increased by 94.6% to RM98.4 million from RM50.6 million during the same period last year mainly due to higher income.

Net income increased by 13.8% from RM341.1 million to RM392.2 million. Non-interest income increased by RM39.1 million to RM336.5 million due to higher investment income. Income from Islamic Banking Scheme operations increased by RM7.5 million to RM59.2 million as a result of higher fee income during the year. Net interest income decreased by 26.1% to RM17.1 million mainly due to lower interest income from deposits and placements with a financial institution.

Overhead expenses increased by 1.1% or RM3.3 million from RM290.5 million to RM293.8 million in the previous corresponding period. This was mainly contributed by the increase in establishment costs during the year.

The Group's profit before taxation and zakat increased by 103.7% or RM47.7 million from RM46.0 million to RM93.6 million. Profit for the year increased by 103.1% or RM34.2 million to RM67.4 million from RM33.2 million compared to the previous period.

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13. Business Outlook

Notwithstanding the US-China “Phase 1” trade deal that de-escalates US-China trade tension, there are downside risks to global economic growth (2019E: +3.0%), namely from the novel coronavirus (“COVID-19”) outbreak, the US Presidential Election in November 2020 and escalating tension in the Middle East. A slowing global Gross Domestic Product (“GDP”) growth is expected to be led by major advanced economies including the US (2020E: +1.9%; 2019: +2.4%) and Japan (2020E: +0.5%; 2019: +1.0%), as well as large emerging markets such as China (2020E: +5.3%; 2019: +6.1%).

Meanwhile, ASEAN-6 growth is anticipated to remain steady at 4.3% in 2020 (2019: +4.3%) driven by the effects of monetary and fiscal stimulus on domestic demand which should offset the external uncertainties and volatilities.

For Malaysia, growth is expected to be at 4.0% in 2020 (2019: 4.3%), reflecting the impact of the COVID-19 outbreak. Factors mitigating this impact are further monetary policy easing by Bank Negara Malaysia (“BNM”) through a 25 to 50 bps cut in the Overnight Policy Rate (“OPR”) for the year, higher Government development expenditure and procurement spending, faster work progress of major infrastructure projects, as well as additional measures to provide relief to industries and sectors hardest hit by the COVID-19 outbreak.

For Malaysian equities, market stimulus as well as improvements in earnings growth would provide the base for a sentiment shift. In the long run, progress in terms of structural issues such as reforms in government-linked companies, capital expenditure recovery and greater economic policy coherence are key towards sustained market recovery.

For the Malaysian fixed income market, corporate bond issuance is expected to remain robust in 2020, supported by still conducive market conditions and record low Malaysian Government Bond yields.

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14. Cash and short-term funds

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cash and bank balances with financial institutions	290,844	254,289	283,370	248,316
Deposit and placements maturing within one month	524,366	579,947	494,252	546,926
Total cash and short-term funds	815,210	834,236	777,622	795,242

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM324,559,000 (2018: RM312,325,000). 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 a financial institution

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Licensed bank	644,478	858,974	644,458	858,954

16. Financial investments portfolio

		Group and Bank	
		31 December 2019 RM'000	31 December 2018 RM'000
Financial assets at fair value through profit or loss	(i)	910,278	371,871
Financial assets at fair value through other comprehensive income	(ii)	1,116	1,130
Financial assets at amortised cost	(iii)	-	33
Total financial investments portfolio		911,394	373,034

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

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
At fair value		
Quoted financial assets:		
Shares in Malaysia	488,055	172,823
Shares outside Malaysia	373,349	159,803
	861,404	332,626
Unquoted financial assets:		
Loan stock in Malaysia	48,874	39,245
	910,278	371,871

(ii) Financial assets at fair value through other comprehensive income

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial assets:		
Shares in Malaysia	1,116	1,130

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16. Financial investments portfolio (Cont'd)

(iii) Financial assets at amortised cost

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
At amortised cost less accumulated impairment loss		
Unquoted financial assets:		
Private debt securities in Malaysia	-	33

17. Loans and advances

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
Term loans		
- Other term loans	66,620	89,290
Amount due from brokers and clients		
- Margin accounts	251,372	256,553
Staff loans	29,074	23,390
Gross loans and advances at amortised cost	347,066	369,233
Less: Allowances for impaired loans and advances:		
- Stage 1 - 12 Months ECL	(185)	(322)
- Stage 3 - Lifetime ECL credit impaired	(265)	(265)
Net loans and advances	346,616	368,646

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

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	30,071	32,442
- Others	84,668	105,750
Individuals	231,602	230,567
Foreign entities	725	474
Gross loans and advances	347,066	369,233

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

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
Fixed rate		
- Housing loans	16,931	12,400
- Hire purchase receivables	11,902	10,800
- Other fixed rate loans	241	190
Variable rate		
- Base lending rate (BLR) plus	251,372	256,553
- Cost plus	66,620	89,290
Gross loans and advances	347,066	369,233

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17. **Loans and advances (Cont'd)**

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

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
Purchase of securities	251,372	256,553
Purchase of transport vehicles	11,902	10,800
Purchase of residential landed property	16,931	12,400
Personal use	241	190
Others	66,620	89,290
Gross loans and advances	347,066	369,233

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

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
Within one year	318,849	346,429
More than one year to three years	2,826	3,810
More than three years to five years	9,272	6,688
More than five years	16,119	12,306
Gross loans and advances	347,066	369,233

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

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
At 1 January	626	641
Impaired/(recovered) during the year	700	(15)
Gross impaired loans and advances	1,326	626
Less: - Stage 3 - Lifetime ECL credit impaired	(265)	(265)
Net impaired loans and advances	1,061	361
Net impaired loans and advances as a percentage of gross loans and advances less Stage 3 - Lifetime ECL credit impaired	0.31%	0.10%

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

	Group and Bank	
	31 December 2019	31 December 2018
	RM'000	RM'000
Purchase of transport vehicles	159	159
Purchase of residential landed property	1,167	467
Gross impaired loans and advances	1,326	626

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17. Loans and advances (Cont'd)

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

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2019	322	-	265	587
Amount written-back (Note 27)	(137)	-	-	(137)
At 31 December 2019	185	-	265	450
At 1 January 2018				
- as previously stated	642	-	273	915
- effect of adopting MFRS 9	(289)	-	-	(289)
At 1 January 2018, as restated	353	-	273	626
Amount written-back	(31)	-	(8)	(39)
At 31 December 2018	322	-	265	587

18. Other assets

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	320,668	480,451	320,668	480,451
Amount due from ultimate holding company	14,269	6,903	14,269	6,903
Other debtors, deposits and prepayments	176,220	359,734	173,600	353,219
	511,157	847,088	508,537	840,573
Less: Allowance for impairment losses	(19,371)	(19,953)	(16,834)	(16,643)
	491,786	827,135	491,703	823,930

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

19. Deposits and placements from a financial institution

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Licensed bank	1,193,885	1,003,316

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20. Other liabilities

	Group		Bank	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Provisions and accruals	70,836	89,842	70,643	89,667
Amount due to brokers and clients (a)	329,575	469,644	329,575	469,644
Provision for contingent liability	4,500	-	4,500	-
Deposits and other creditors	772,872	1,160,801	772,210	1,156,613
Finance lease obligation	13,377	-	13,377	-
Amount due to:				
- Holding company	26,752	23,159	26,752	23,159
- Related companies	2,323	6,323	2,323	6,323
- Subsidiaries	-	-	171,690	171,474
	1,220,235	1,749,769	1,391,070	1,916,880

(a) Amount due to brokers and clients represents 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.

(b) The movement for provision for contingent liability is as follows:

	Group and Bank RM'000
At 1 January 2019	-
Addition	4,500
At 31 December 2019	4,500

21. Derivative financial instruments

(i) Derivative financial assets/liabilities

	Group and Bank 31 December 2019		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Hedging derivatives			
Equity-related derivatives:			
Equity options			
- Less than one year	926,562	37,095	229,031
Equity swaps			
- Less than one year	318,095	13,253	51,190
	1,244,657	50,348	280,221

	Group and Bank 31 December 2018		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Equity-related derivatives:			
Equity options			
- Less than one year	1,038,241	215,601	219,584
Equity swaps			
- Less than one year	1,115,680	35,623	8,798
	2,153,921	251,224	228,382

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21. Derivative financial instruments (cont'd.)

(ii) The Group and the Bank have recognised the fair value changes on the derivative financial instruments as follows (Note 24):

	Group and Bank			
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Equity-related derivatives:				
Index futures	29	(1,074)	1,182	(1,153)
Equity options	(20,296)	(64,962)	20,291	(158,663)
Equity swaps	56,452	1,790	(64,762)	39,237
	<u>36,185</u>	<u>(64,246)</u>	<u>(43,289)</u>	<u>(120,579)</u>

22. Interest income

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Group				
Loans and advances				
- Interest income other than on impaired loans	6,304	7,590	27,606	30,976
- Interest income on impaired loans	28	26	178	91
Money at call and deposits and placements with financial institutions	6,697	9,931	31,018	38,940
Others	365	1,786	3,413	4,298
Total interest income	<u>13,394</u>	<u>19,333</u>	<u>62,215</u>	<u>74,305</u>

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Loans and advances				
- Interest income other than on impaired loans	6,304	7,590	27,606	30,976
- Interest income on impaired loans	28	26	178	91
Money at call and deposits and placements with financial institutions	6,461	9,653	29,978	37,829
Others	365	1,786	3,413	4,298
Total interest income	<u>13,158</u>	<u>19,055</u>	<u>61,175</u>	<u>73,194</u>

23. Interest expense

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Deposits and placements from a financial institution	5,769	5,557	22,893	19,488
Derivative financial instruments	5,322	8,258	22,208	31,659
Total interest expense	<u>11,091</u>	<u>13,815</u>	<u>45,101</u>	<u>51,147</u>

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24. Non-interest income

<u>Group</u>	Unaudited		Audited	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Fee and commission income:				
Arranger and upfront fees	33,708	3,923	63,108	34,747
Brokerage income	35,722	33,292	135,215	161,792
Corporate advisory fees	11,929	3,648	30,742	14,157
Placement and related fees	1,301	(135)	8,546	5,957
Underwriting commission	(2,817)	-	8,373	622
Others	14,755	3,570	21,907	10,914
	<u>94,598</u>	<u>44,298</u>	<u>267,891</u>	<u>228,189</u>
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	76,492	(6,173)	108,445	(31,324)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	28,906	63,731	142,342	142,615
Realised (loss)/gain from sale of derivative financial instruments, net	(127,786)	15,732	(161,361)	58,573
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 21 (ii))	36,185	(64,246)	(43,289)	(120,579)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	4,622	2,835	6,776	7,904
- Quoted outside Malaysia	1,847	274	3,817	869
	<u>20,266</u>	<u>12,153</u>	<u>56,730</u>	<u>58,058</u>
Other income:				
Foreign exchange gain, net	7,145	3,537	7,020	6,485
Others	1,826	1,305	4,856	4,673
	<u>8,971</u>	<u>4,842</u>	<u>11,876</u>	<u>11,158</u>
Total non-interest income	<u>123,835</u>	<u>61,293</u>	<u>336,497</u>	<u>297,405</u>

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24. Non-interest income (Cont'd)

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
<u>Bank</u>	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Arranger and upfront fees	33,708	3,923	63,108	34,747
Brokerage income	35,722	33,292	135,215	161,792
Corporate advisory fees	11,929	3,649	30,742	9,564
Placement and related fees	1,301	(135)	8,546	5,957
Underwriting commission	(2,817)	-	8,373	622
Others	14,755	3,570	21,907	10,914
	<u>94,598</u>	<u>44,299</u>	<u>267,891</u>	<u>223,596</u>
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	76,492	(6,173)	108,445	(31,324)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	28,906	63,731	142,342	142,615
Realised (loss)/gain from sale of derivative financial instruments, net	(127,786)	15,732	(161,361)	58,573
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 21 (ii))	36,185	(64,246)	(43,289)	(120,579)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	4,622	2,835	6,776	7,904
- Quoted outside Malaysia	1,847	274	3,817	869
Gross dividends from subsidiaries	-	-	3,360	4,550
	<u>20,266</u>	<u>12,153</u>	<u>60,090</u>	<u>62,608</u>
Other income:				
Foreign exchange gain, net	7,145	3,537	7,020	6,485
Others	1,826	1,305	4,856	4,673
	<u>8,971</u>	<u>4,842</u>	<u>11,876</u>	<u>11,158</u>
Total non-interest income	<u>123,835</u>	<u>61,294</u>	<u>339,857</u>	<u>297,362</u>

25. Direct costs

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
<u>Group and Bank</u>	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Dealers' incentive	342	5,407	9,621	18,056
Trade-related charges	2,501	2,384	10,980	13,072
	<u>2,843</u>	<u>7,791</u>	<u>20,601</u>	<u>31,128</u>

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26. Overhead expenses

<u>Group</u>	Unaudited		Audited	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	68,316	63,141	205,745	211,541
- Pension costs - defined contribution plan	5,096	5,259	20,412	19,076
- Employees' Share Scheme expenses	1,995	-	6,097	486
- Other staff-related expenses	3,331	4,471	14,014	11,866
	<u>78,738</u>	<u>72,871</u>	<u>246,268</u>	<u>242,969</u>
Establishment costs				
- Depreciation of property, plant and equipment	984	1,612	4,538	6,701
- Amortisation of computer software	1,200	1,240	5,059	5,049
- Rental	356	2,383	1,439	10,037
- Finance cost on lease liability	135	-	718	-
- Depreciation of right-of-use assets	2,070	-	8,293	-
- Repairs and maintenance of property, plant and equipment	1,969	2,563	10,856	9,882
- Information technology expenses	6,742	5,298	20,701	17,099
- Service chargeback	(9,223)	(9,285)	(35,015)	(38,689)
- Others	(584)	516	1,372	2,003
	<u>3,649</u>	<u>4,327</u>	<u>17,961</u>	<u>12,082</u>
Marketing costs				
- Advertisement and publicity	798	1,904	6,879	11,609
- Others	1,409	1,220	6,301	5,930
	<u>2,207</u>	<u>3,124</u>	<u>13,180</u>	<u>17,539</u>
Administration and general expenses				
- Fee and brokerage	3,743	3,871	10,977	10,375
- Administrative expenses	770	1,147	3,319	3,601
- General expenses	560	681	2,057	3,957
	<u>5,073</u>	<u>5,699</u>	<u>16,353</u>	<u>17,933</u>
Total overhead expenses	<u>89,667</u>	<u>86,021</u>	<u>293,762</u>	<u>290,523</u>

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26. **Overhead expenses (Cont'd)**

	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
- Salaries, allowances and bonuses	68,316	63,141	205,745	211,541
- Pension costs - defined contribution plan	5,096	5,259	20,412	19,076
- Employees' Share Scheme expenses	1,995	-	6,097	486
- Other staff related expenses	3,331	4,471	14,014	11,865
	<u>78,738</u>	<u>72,871</u>	<u>246,268</u>	<u>242,968</u>
Establishment costs				
- Depreciation of property, plant and equipment	969	1,612	4,523	6,701
- Amortisation of computer software	1,200	1,240	5,059	5,049
- Rental	356	2,383	1,439	10,037
- Finance cost on lease liability	135	-	718	-
- Depreciation of right-of-use assets	2,070	-	8,293	-
- Repairs and maintenance of property, plant and equipment	1,969	2,563	10,856	9,881
- Information technology expenses	6,742	5,298	20,701	17,099
- Service chargeback	(9,223)	(10,285)	(35,015)	(41,158)
- Others	(569)	516	1,387	2,003
	<u>3,649</u>	<u>3,327</u>	<u>17,961</u>	<u>9,612</u>
Marketing costs				
- Advertisement and publicity	798	1,904	6,879	11,609
- Others	1,409	1,220	6,301	5,939
	<u>2,207</u>	<u>3,124</u>	<u>13,180</u>	<u>17,548</u>
Administration and general expenses				
- Fee and brokerage	3,723	3,852	10,884	10,283
- Administrative expenses	756	1,133	3,262	3,542
- General expenses	557	681	2,054	3,957
	<u>5,036</u>	<u>5,666</u>	<u>16,200</u>	<u>17,782</u>
Total overhead expenses	<u>89,630</u>	<u>84,988</u>	<u>293,609</u>	<u>287,910</u>

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

<u>Group</u>	Unaudited		Audited	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	49	(33)	137	31
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	-	1	-	8
Bad debts recovered	286	128	635	693
Writeback of/(allowance for) impairment on other assets, net	1,311	(1,846)	582	(2,271)
Total	1,646	(1,750)	1,354	(1,539)

<u>Bank</u>	Unaudited		Audited	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	49	(33)	137	31
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	-	1	-	8
Bad debts recovered	286	128	635	693
Writeback of/(allowance for) impairment on other assets, net	1,338	(2,164)	(191)	(2,689)
Total	1,673	(2,068)	581	(1,957)

28. 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 2 February 2018 respectively.

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 December 2019		
CET1 capital ratio	24.507	23.080
Tier 1 capital ratio	24.507	23.080
Total capital ratio	25.807	24.389
At 31 December 2018		
CET1 capital ratio	24.574	22.976
Tier 1 capital ratio	24.574	22.976
Total capital ratio	26.198	24.616

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28. Capital adequacy (Cont'd)

(I) 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 December 2019</u>		
Paid-up share capital	222,785	222,785
Other reserves	410,807	403,682
CET1 capital before regulatory adjustments	633,592	626,467
Less: Deferred tax assets	(13,102)	(13,102)
Intangible assets	(11,841)	(11,841)
Gains on financial instruments classified as 'fair value through other comprehensive income'	(504)	(504)
Regulatory reserve	(30,388)	(30,388)
Investment in subsidiaries and a joint venture ¹	(1,147)	(31,784)
CET1 capital/Tier 1 capital	576,610	538,848
Tier 2 capital		
General provisions	30,573	30,573
Tier 2 capital	30,573	30,573
Total capital	607,183	569,421
<u>At 31 December 2018</u>		
Paid-up share capital	222,785	222,785
Other reserves	377,540	366,753
CET1 capital before regulatory adjustments	600,325	589,538
Less: Deferred tax assets	(16,378)	(16,378)
Intangible assets	(15,021)	(15,021)
Gains on financial instruments classified as 'fair value through other comprehensive income'	(512)	(512)
Regulatory reserve	(34,777)	(34,777)
Investment in subsidiaries and a joint venture ¹	(2,301)	(31,272)
CET1 capital/Tier 1 capital	531,336	491,578
Tier 2 capital		
General provisions	35,099	35,099
Tier 2 capital	35,099	35,099
Total capital	566,435	526,677

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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28. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
31 December 2019				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	503,110	503,110	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,210,278	1,210,278	445,999	35,680
Corporates	116,031	64,955	64,955	5,196
Regulatory retail	230,161	108,064	107,031	8,562
Higher risk assets	49,990	49,990	74,985	5,999
Other assets	554,575	550,588	513,528	41,082
Total on-balance sheet exposures	2,664,145	2,486,985	1,206,498	96,519
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,157,044	1,157,044	924	74
Total off-balance sheet exposures	1,157,044	1,157,044	924	74
Total on and off-balance sheet exposures	3,821,189	3,644,029	1,207,422	96,593
(ii) <u>Market Risk</u>				
Equity position risk	-	-	58,053	4,644
Foreign currency risk	-	-	205,008	16,400
Options risk	-	-	139,275	11,142
Total	-	-	402,336	32,186
(iii) <u>Operational Risk</u>				
	-	-	743,034	59,443
Total RWA and capital requirements	3,821,189	3,644,029	2,352,792	188,222

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28. Capital adequacy (Cont'd)

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

<u>Group</u>	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
31 December 2018	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	492,339	492,339	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,739,668	1,739,668	690,438	55,235
Corporates	138,225	75,269	75,269	6,022
Regulatory retail	232,748	120,882	116,043	9,283
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	595,058	595,058	346,334	27,707
Total on-balance sheet exposures	3,238,413	3,063,591	1,288,647	103,092
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
Total off-balance sheet exposures	1,169,101	1,169,101	161	13
Total on and off-balance sheet exposures	4,407,514	4,232,692	1,288,808	103,105
(ii) <u>Market Risk</u>				
Equity position risk	-	-	4,038	323
Foreign currency risk	-	-	106,003	8,480
Options risk	-	-	15,212	1,217
Total	-	-	125,253	10,020
(iii) <u>Operational Risk</u>				
	-	-	748,111	59,849
Total RWA and capital requirements	4,407,514	4,232,692	2,162,172	172,974

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28. Capital adequacy (Cont'd)

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

<u>Bank</u>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
31 December 2019				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	503,110	503,110	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,172,705	1,172,705	438,484	35,079
Corporates	116,031	64,955	64,955	5,196
Regulatory retail	230,161	108,064	107,031	8,562
Higher risk assets	49,990	49,990	74,985	5,999
Other assets	554,441	550,454	513,396	41,072
Total on-balance sheet exposures	2,626,438	2,449,278	1,198,851	95,908
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,157,044	1,157,044	924	74
Total off-balance sheet exposures	1,157,044	1,157,044	924	74
Total on and off-balance sheet exposures	3,783,482	3,606,322	1,199,775	95,982
(ii) <u>Market Risk</u>				
Equity position risk	-	-	58,053	4,644
Foreign currency risk	-	-	199,111	15,929
Options risk	-	-	139,275	11,142
Total	-	-	396,439	31,715
(iii) <u>Operational Risk</u>				
	-	-	738,487	59,079
Total RWA and capital requirements	3,783,482	3,606,322	2,334,701	186,776

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28. Capital adequacy (Cont'd)

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

Bank	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
31 December 2018	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	492,339	492,339	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,700,698	1,700,698	682,644	54,612
Corporates	138,225	75,269	75,269	6,022
Regulatory retail	232,748	120,882	116,043	9,283
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	591,797	591,797	343,075	27,445
Total on-balance sheet exposures	3,196,182	3,021,360	1,277,594	102,207
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
Total off-balance sheet exposures	1,169,101	1,169,101	161	13
Total on and off-balance sheet exposures	4,365,283	4,190,461	1,277,755	102,220
(ii) Market Risk				
Equity position risk	-	-	4,038	323
Foreign currency risk	-	-	101,335	8,107
Options risk	-	-	15,212	1,217
Total	-	-	120,585	9,647
(iii) Operational Risk				
	-	-	741,195	59,296
Total RWA and capital requirements	4,365,283	4,190,461	2,139,535	171,163

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29. Commitments and contingencies

Group and Bank	31 December 2019			31 December 2018		
	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>						
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,155,197	-	-	1,168,779	-	-
- Maturity exceeding one year	1,847	924	924	322	161	161
	1,157,044	924	924	1,169,101	161	161
<u>Derivative financial instruments</u>						
Equity-related contracts						
- Less than one year	1,244,657	-	-	523,293	-	-
Total commitments and contingencies	2,401,701	924	924	1,692,394	161	161

* 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 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.

On 24 July 2017, the High Court found in favour of the Bondholders for the sum of RM177,248,747.31 against the Defendants in the following proportion:

- (a) 1st, 2nd and 3rd Defendants – 100% liable;
- (b) The Bank (4th Defendant) – 50% liable;
- (c) The 5th Defendant – 30% liable; and
- (d) The 6th Defendant – 20% liable.

On 5 October 2017, upon hearing further clarification and submissions on the judgment sum, applicable interest and costs, the High Court held:

- (a) The Judgment against the Defendants is for the sum of RM177,248,747.31;
- (b) The total damages that the Bondholders can recover from the Defendants shall not exceed the aggregate sum of RM177,248,747.31;
- (c) Interest shall be calculated on the reduced sum of RM148,653,953.20 at the rate of 5% per annum from 1 November 2011 until full and final settlement; and
- (d) Costs as awarded against the Defendants in favour of the Plaintiffs:
 - (i) 1st – 3rd Defendants : RM350,000;
 - (ii) The 3rd Defendant to pay costs of RM100,000 for the dismissal of his counterclaim;
 - (iii) The Bank to pay costs of RM300,000;

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29. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 1 (Cont'd)

On 5 October 2017, upon hearing further clarification and submissions on the judgment sum, applicable interest and costs, the High Court held: (cont'd)

(d) Costs as awarded against the Defendants in favour of the Plaintiffs (cont'd.):

- (iv) The 5th Defendant to pay costs of RM150,000; and
- (v) The 6th Defendant to pay costs of RM200,000 and reimburse the Plaintiffs' expert witness costs of RM250,000.

The Bank and the other Defendants then filed their separate and respective appeals to the Court of Appeal ("the Appeals").

The Court of Appeal heard the Appeals on 12, 13, 15, 22, 23, 27 – 29 November 2018. On 18 September 2019, the Court of Appeal affirmed the High Court's judgment and dismissed the Appeals with costs:

- (i) 1st – 3rd Defendants : RM233,000;
- (ii) The 3rd Defendant: RM70,000;
- (iii) The Bank: RM200,000;
- (iv) The 5th Defendant: RM100,000; and
- (v) The 6th Defendant: RM110,000

On 16 October 2019, the Bank filed an application for leave to appeal to the Federal Court against the Court of Appeal's Judgment ("Leave Application"). The Leave Application is fixed for case management on 30 July 2020 and for hearing on 13 August 2020.

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).

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").

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29. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (cont'd)

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 Defendants 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 ("FC Appeals"). On 15 March 2018, the Federal Court unanimously dismissed the FC Appeals with costs of RM20,000 for each appeal respectively. The Company and the Guarantor filed their respective motions to the Federal Court to review the Federal Court Decision ("FC Review Application"). On 28 January 2019, the Federal Court dismissed the FC Review Application with costs of RM30,000. On 22 February 2019, the 1st Defendant and the Guarantor filed an originating summons before the High Court for declaratory reliefs with a view to have the Federal Court Decision set aside ("2019 OS"). On 22 March 2019, the 1st Defendant and the Guarantor filed an application for the High Court to refer the constitutional issues before it is filed to the Federal Court for determination ("Reference Application"). The Banks filed an application to strike out the 2019 OS ("Banks' Striking Out Application"). The Banks' Striking Out Application, the Reference Application and the 2019 OS are fixed for case management on 31 March 2020.

On 4 February 2020, the 1st Defendant served a new suit against the Bank and two (2) others for alleged breach, inducement/procurement to breach and unlawful interference with the SPA, seeking declarations and alleged damages ("2020 Suit"). The 2020 Suit is fixed for case management on 8 June 2020.

Separately, in respect of the suit filed by another noteholder against the Trustee and the Banks to seek various declarations on or in respect of resolutions relating to the recovery of outstanding amounts owed under the Notes ("PY Appeal"), the Federal Court had on 4 February 2020 dismissed the PY Appeal with costs of RM100,000 to be paid to the remaining financial institutions and RM100,000 to the Trustee. The Guarantor also obtained an ex parte Receiving Order on the grounds that there is a purported scheme of arrangement for the creditors' consideration. The Banks successfully set aside the Receiving Order on 17 May 2017. The Guarantor has appealed to the Court of Appeal against the setting aside of the Receiving Order.

The above matters are currently pending hearings before/decision from the respective Courts.

30. 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.

Financial results and other information by business segments 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, derivative financial instruments, custodian and nominees services.

(iii) Others

Others includes share of results from investment in a joint venture.

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30. Segment information (Cont'd)

The following table provides analysis of the Group's financial results and other information by business segments:

Group	Pillar 1	Pillar 2	Others	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000
Net interest income	709	16,405	-	17,114
Income from Islamic Banking Scheme operations	55,155	4,005	-	59,160
Non-interest income	131,417	205,080	-	336,497
Direct costs	-	(20,601)	-	(20,601)
Net income	<u>187,281</u>	<u>204,889</u>	-	<u>392,170</u>
Results				
Segment results	187,281	204,889	-	392,170
Overhead expenses	(106,879)	(186,883)	-	(293,762)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(306)	1,660	-	1,354
Provision for contingent liability	(4,500)	-	-	(4,500)
Share of results of a joint venture	-	-	(1,633)	(1,633)
Profit/(loss) before taxation	<u>75,596</u>	<u>19,666</u>	<u>(1,633)</u>	<u>93,629</u>
Taxation and zakat				(26,208)
Profit for the period				<u>67,421</u>
Other segment information				
Depreciation of property, plant and equipment	564	3,974	-	4,538
Depreciation of right-of-use assets	2,932	5,361	-	8,293
Amortisation of computer software	587	4,472	-	5,059
Group				
31 December 2018	RM'000	RM'000	RM'000	RM'000
Net interest income	325	22,833	-	23,158
Income from Islamic Banking Scheme operations	46,702	4,964	-	51,666
Non-interest income	60,816	236,589	-	297,405
Direct costs	-	(31,128)	-	(31,128)
Net income	<u>107,843</u>	<u>233,258</u>	-	<u>341,101</u>
Results				
Segment results	107,843	233,258	-	341,101
Overhead expenses	(105,335)	(185,188)	-	(290,523)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(1,627)	88	-	(1,539)
Writeback of impairment on derivative assets	-	-	-	-
Share of results of a joint venture	-	-	(3,064)	(3,064)
Profit/(loss) before taxation	<u>881</u>	<u>48,158</u>	<u>(3,064)</u>	<u>45,975</u>
Taxation and zakat				(12,771)
Profit for the period				<u>33,204</u>
Other segment information				
Depreciation of property, plant and equipment	282	6,419	-	6,701
Amortisation of computer software	424	4,625	-	5,049

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31. The operations of Islamic Banking Scheme ("IBS")

Audited Statements of Financial Position as at 31 December 2019

	Notes	Group and Bank	
		31 December 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	(a)	29,315	17,582
Other assets	(b)	437,842	417,245
Total assets		467,157	434,827
LIABILITIES			
Other liabilities	(c)	246,243	225,008
Provision for taxation and zakat	(d)	4,405	2,661
Total liabilities		250,648	227,669
ISLAMIC BANKING CAPITAL FUND			
Islamic banking fund		5,000	5,000
Retained earnings		211,509	202,158
		216,509	207,158
Total liabilities and Islamic banking capital fund		467,157	434,827

**Audited Statements of Comprehensive Income
For the Fourth Quarter Ended 31 December 2019**

Group and Bank	Notes	Unaudited		Audited	
		31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Income derived from investment of Islamic banking fund	(e)	17,619	14,489	59,160	51,666
Direct costs		(840)	(1,537)	(3,495)	(3,462)
Net income attributable to the Group and to the Bank		16,779	12,952	55,665	48,204
Overhead expenses	(f)	(10,498)	(16,784)	(41,902)	(39,632)
Operating profit/(loss)		6,281	(3,832)	13,763	8,572
(Allowance for)/writeback of impairment on other assets		64	(328)	(7)	(218)
Profit/(loss) before taxation and zakat		6,345	(4,160)	13,756	8,354
Taxation		(1,522)	998	(3,300)	(2,005)
Zakat		(548)	151	(1,105)	(656)
Profit/(loss) for the period/year, representing total comprehensive income for the period, attributable to equity holder of the Bank		4,275	(3,011)	9,351	5,693

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

Audited Statements of Changes in Equity
For the Fourth Quarter Ended 31 December 2019

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2019	5,000	202,158	207,158
Profit for the year	-	9,351	9,351
Total comprehensive income for the year	-	9,351	9,351
At 31 December 2019	5,000	211,509	216,509
At 1 January 2018	5,000	196,465	201,465
Profit for the year	-	5,693	5,693
Total comprehensive income for the year	-	5,693	5,693
At 31 December 2018	5,000	202,158	207,158

Audited Statements of Cash Flows
For the Fourth Quarter Ended 31 December 2019

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	13,756	8,354
Increase in receivables	(20,597)	(46,166)
Increase in payables	21,235	62,794
Taxation and zakat paid, net	(2,661)	(10,157)
Net cash generated from operating activities	<u>11,733</u>	<u>14,825</u>
Net increase in cash and cash equivalents	11,733	14,825
Cash and cash equivalents at beginning of the year	17,582	2,757
Cash and cash equivalents at end of the year	<u>29,315</u>	<u>17,582</u>

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

(a) Cash and short-term funds

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Cash and bank balances with financial institutions	29,315	17,582

(b) Other assets

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Debtors	437,842	417,245

(c) Other liabilities

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Provisions and accruals*	246,243	225,008

* Include prohibited sources/means to charitable causes amounting to RM2,259 (2018: RM1,497).

(d) Provision for taxation and zakat

	Group and Bank	
	31 December 2019 RM'000	31 December 2018 RM'000
Taxation	3,300	2,005
Zakat	1,105	656
	4,405	2,661

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

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

<u>Group and Bank</u>	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Profit income from financial assets at fair value through profit or loss	-	-	28	3
Realised gain from sale of financial assets at fair value through profit or loss, net	4	312	1,107	1,443
Fee and commission income from:				
- Arranger and upfront fees	13,974	9,428	36,157	33,236
- Brokerage income	1,189	813	4,005	4,965
- Corporate advisory fees	-	1,020	45	1,020
- Underwriting commission	(8)	-	859	-
- Placement fees	(1,856)	1,250	2,429	3,250
- Others	4,321	1,669	14,532	7,752
Foreign exchange loss, net	(5)	(3)	(2)	(3)
Total	17,619	14,489	59,160	51,666

(f) Overhead expenses

<u>Group and Bank</u>	Unaudited		Audited	
	Fourth Quarter Ended		Cumulative 12 Months Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	8,458	15,064	33,508	32,025
Establishment costs				
- Service chargeback	(1,089)	(3,844)	(4,946)	(3,961)
- Other establishment costs	1,800	2,997	7,750	6,100
Marketing costs	221	850	1,862	2,287
Administration and general expenses	1,108	1,717	3,728	3,181
Total	10,498	16,784	41,902	39,632

(g) Capital adequacy

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

<u>Group and Bank</u>	31 December 2019	31 December 2018
	%	%
CET1 capital ratio	84.865	84.647
Tier 1 capital ratio	84.865	84.647
Total capital ratio	84.865	84.647

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

<u>Group and Bank</u>	31 December 2019	31 December 2018
	RM'000	RM'000
Tier 1 capital		
Islamic banking fund	5,000	5,000
Retained earnings	211,509	202,158
CET1 capital/Tier 1 capital/Total capital	216,509	207,158

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

(g) Capital adequacy (Cont'd)

(III) The breakdown of 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
31 December 2019 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	22,077	22,077	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	7,238	7,238	1,448	116
Other assets	599,668	599,668	131,211	10,497
Total on-balance sheet exposures	628,983	628,983	132,659	10,613
Total on and off-balance sheet exposures *	628,983	628,983	132,659	10,613
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
Total RWA and capital requirements	628,983	628,983	255,122	20,410

<u>Group and Bank</u>	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
31 December 2018 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	16,051	16,051	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,530	1,530	306	24
Other assets	575,496	575,496	147,194	11,775
Total on-balance sheet exposures	593,077	593,077	147,500	11,800
Total on and off-balance sheet exposures *	593,077	593,077	147,500	11,800
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
Total RWA and capital requirements	593,077	593,077	244,731	19,578

* There are no off-balance sheet exposures in the current and previous financial years.

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31. The operations of Islamic Banking Scheme ("IBS") (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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32. 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 31 December 2019 and 31 December 2018.

<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 31 December 2019				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	861,404	48,874	-	910,278
Derivative assets	-	50,348	-	50,348
	861,404	99,222	-	960,626
Financial liabilities measured at fair values:				
Derivative liabilities	31,703	248,518	-	280,221
As at 31 December 2018				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	332,626	39,245	-	371,871
Derivative assets	-	251,224	-	251,224
	332,626	290,469	-	623,095
Financial liabilities measured at fair values:				
Derivative liabilities	6,213	222,169	-	228,382

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32. 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:

(a) 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.

(b) 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.

33. Credit Exposures Arising from Credit Transactions with Connected Parties

There are no credit exposures arising from credit transactions with connected parties based on requirement of Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties as at the end of the current and previous financial years.

34. Financial Effects arising from Adoption of MFRS 16 Leases

(i) The adoption of MFRS 16 resulted in the following financial effects to the statements of financial position of the Group and of the Bank:

	As at 31 December 2018 RM'000	Modified retro- spective approach RM'000	As at 1 January 2019 RM'000
Group and Bank			
Extract of Statements of Financial Position			
ASSETS			
Right-of-use assets	-	16,220	16,220
LIABILITIES			
Other liabilities			
- Provisions and accruals	-	160	160
- Finance lease obligation	-	16,060	16,060

(ii) The following table analyses the impact of Capital Adequacy Ratios of the Group and of the Bank:

	As at 31 December 2018	Impact of adopting MFRS 16	As at 1 January 2019
Group			
CET1 Capital (RM'000)	531,336	-	531,336
Tier 1 Capital (RM'000)	531,336	-	531,336
Total Capital (RM'000)	566,435	-	566,435
Risk Weighted Assets (RM'000)	2,162,172	16,220	2,178,392
CET1 Capital Ratio	24.574	(0.18)	24.391
Tier 1 Capital Ratio	24.574	(0.18)	24.391
Total Capital Ratio	26.198	(0.16)	26.001

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34. Financial Effects arising from Adoption of MFRS 16 Leases (Cont'd.)

(ii) The following table analyses the impact of Capital Adequacy Ratios of the Group and of the Bank: (Cont'd.)

	As at 31 December 2018	Impact of adopting MFRS 16	As at 1 January 2019
Bank			
CET1 Capital (RM'000)	491,578	-	491,578
Tier 1 Capital (RM'000)	491,578	-	491,578
Total Capital (RM'000)	526,677	-	526,677
Risk Weighted Assets (RM'000)	2,139,535	16,220	2,155,755
CET1 Capital Ratio	22.976	(0.173)	22.803
Tier 1 Capital Ratio	22.976	(0.173)	22.803
Total Capital Ratio	24.616	(0.185)	24.431

35. Reclassification of comparative information

Certain opening balances were reclassified during the year to conform with current year presentation with nil financial impact to the statements of comprehensive income. The reclassification is as follows:

31 December 2018	As previously reported RM'000	Re- classification RM'000	As restated RM'000
Group and Bank			
Extract of Statements of Financial Position			
Financial investments portfolio			
Financial assets at fair value through profit or loss (Note 16 (i))	587,472	(215,601)	371,871
Derivative assets (Note 21 (i))	35,623	215,601	251,224