

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	The Group	
		30 June 2019 RM'000	31 December 2018 RM'000
Assets			
Cash and short term funds		998,459	889,098
Reverse repurchase agreements		49,532	-
Deposits and placements with banks and other financial institutions		10	10
Financial assets at fair value through profit or loss	A5	2,501	6,437
Equity instruments at fair value through other comprehensive income	A6	844	1,117
Derivative financial instruments	A17(i)	3,586	5,240
Other assets	A7	1,150,942	615,536
Tax recoverable		3,667	14,126
Deferred tax assets		14,089	19,074
Amounts due from related companies		3,653	2,466
Amounts due from immediate holding company		1,958	-
Amounts due from ultimate holding company		304	279
Statutory deposits with Bank Negara Malaysia		91	91
Investment in associates		8,262	8,195
Property, plant and equipment		32,279	31,753
Right-of-use assets		14,983	-
Investment property		17,077	17,334
		<u>2,302,237</u>	<u>1,610,756</u>
Non-current assets held for sale		-	74,288
Total assets		<u>2,302,237</u>	<u>1,685,044</u>
Liabilities			
Deposits from customers	A8	187,847	127,749
Deposits and placements of banks and other financial institutions	A9	336,273	261,087
Derivative financial instruments	A17(i)	2,309	3,249
Other liabilities	A10	719,941	586,193
Lease liability		15,294	-
Amounts due to related companies		13,329	14,568
		<u>1,274,993</u>	<u>992,846</u>
Non-current liabilities held for sale		-	76,866
Total liabilities		<u>1,274,993</u>	<u>1,069,712</u>
Capital and reserves attributable to equity holders of the Bank			
Ordinary share capital		100,000	100,000
Redeemable preference shares		10	10
Reserves		927,234	515,322
Total equity		<u>1,027,244</u>	<u>615,332</u>
Total equity and liabilities		<u>2,302,237</u>	<u>1,685,044</u>
Commitments and contingencies	A17(ii)	664,828	914,926
Net assets per ordinary share (RM)		<u>10.27</u>	6.15

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	The Bank	
		30 June 2019 RM'000	31 December 2018 RM'000
Assets			
Cash and short term funds		997,503	888,128
Reverse repurchase agreements		49,532	-
Financial assets at fair value through profit or loss	A5	2,501	6,437
Derivative financial instruments	A17(i)	3,586	5,240
Other assets	A7	1,150,130	614,726
Tax recoverable		3,667	14,125
Deferred tax assets		14,089	19,074
Amounts due from subsidiaries		-	15
Amounts due from related companies		3,653	2,466
Amounts due from immediate holding company		1,958	-
Amounts due from ultimate holding company		304	279
Statutory deposits with Bank Negara Malaysia		91	91
Investment in subsidiaries		50	50
Property, plant and equipment		32,279	31,753
Right-of-use assets		14,983	-
Investment property		17,077	17,334
		2,291,403	1,599,718
Non-current assets held for sale		-	28,656
Total assets		2,291,403	1,628,374
Liabilities			
Deposits from customers	A8	187,847	127,749
Deposits and placements of banks and other financial institutions	A9	336,273	261,087
Derivative financial instruments	A17(i)	2,309	3,249
Other liabilities	A10	719,919	586,169
Lease liability		15,294	-
Amounts due to related companies		13,329	14,568
		1,274,971	992,822
Non-current liabilities held for sale		-	64,962
Total liabilities		1,274,971	1,057,784
Capital and reserves attributable to equity holders of the Bank			
Ordinary share capital		100,000	100,000
Redeemable preference shares		10	10
Reserves		916,422	470,580
Total equity		1,016,432	570,590
Total equity and liabilities		2,291,403	1,628,374
Commitments and contingencies	A17(ii)	664,828	914,926
Net assets per ordinary share (RM)		10.16	5.71

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Notes	The Group			
		2nd quarter ended		Six months ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		RM'000	RM'000	RM'000	RM'000
Interest income	A11	5,208	6,723	9,337	13,101
Interest income for financial assets at fair value through profit and loss	A12	30	15	86	42
Interest expense	A13	(4,987)	(6,391)	(9,008)	(13,010)
Net interest income		251	347	415	133
Income derived from investment of shareholders' funds		4,158	7,402	16,649	20,428
Income attributable to the depositors		(1)	(1)	-	(1)
Income from Islamic Banking operations	A21b	4,157	7,401	16,649	20,427
Non-interest income	A14	476,447	15,534	519,679	35,649
Total income		480,855	23,282	536,743	56,209
Overheads	A15	(52,618)	(22,304)	(96,288)	(43,779)
Profit before expected credit losses		428,237	978	440,455	12,430
Expected credit losses made on loans, advances and financing	A16 (a)	-	(66)	-	(30)
Expected credit losses written back / (made on) other receivables	A16 (b)	239	(1,726)	52	(1,371)
		428,476	(814)	440,507	11,029
Share of results of associates		134	124	68	91
Profit/(loss) from continuing operations before taxation		428,610	(690)	440,575	11,120
Taxation		(1,920)	(3,573)	(5,615)	(9,086)
Profit/(loss) from continuing operations after taxation		426,690	(4,263)	434,960	2,034
(Loss)/profit from discontinuing operation		(6,652)	6,568	(5,411)	9,939
Profit for the financial period		420,038	2,305	429,549	11,973
Profit for the financial period attributable to : Owners of the Group		420,038	2,305	429,549	11,973
Basic earnings per share for profit/(loss) from continuing operations attributable to ordinary equity holders (sen)	B3	426.69	(4.26)	434.96	2.03
Basic earnings per share for (loss)/profit from discontinuing operation attributable to ordinary equity holders (sen)	B3	(6.65)	6.57	(5.41)	9.94
Basic earnings per share for profit attributable to ordinary equity holders (sen)	B3	420.04	2.31	429.55	11.97

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	420,038	2,305	429,549	11,973
Items that may be reclassified subsequently to profit or loss				
Equity instruments at fair value through other comprehensive income	(273)	-	(273)	-
- Loss from change in fair value	(273)	-	(273)	-
Profit for the financial period	419,765	2,305	429,276	11,973
Total comprehensive income for the financial period arises from:				
Continuing operations	426,417	(4,263)	434,687	2,034
Discontinuing operation	(6,652)	6,568	(5,411)	9,939
	419,765	2,305	429,276	11,973

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Notes	The Bank			
		2nd quarter ended		Six months ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		RM'000	RM'000	RM'000	RM'000
Interest income	A11	5,202	6,715	9,324	13,086
Interest income for financial assets at fair value through profit and loss	A12	30	15	86	42
Interest expense	A13	(4,987)	(6,391)	(9,008)	(13,010)
Net interest income		245	339	402	118
Income derived from investment of shareholders' funds		4,158	7,402	16,649	20,428
Income attributable to the depositors		(1)	(1)	-	(1)
Income from Islamic Banking operations	A21b	4,157	7,401	16,649	20,427
Non-interest income	A14	510,980	15,534	554,212	35,649
Total income		515,382	23,274	571,263	56,194
Overheads	A15	(52,610)	(22,296)	(96,267)	(43,768)
Profit before expected credit losses		462,772	978	474,996	12,426
Expected credit losses made on loans, advances and financing	A16 (a)	-	(66)	-	(30)
Expected credit losses written back / (made on) other receivables	A16 (b)	239	(1,726)	52	(1,371)
Profit/(loss) from continuing operations before taxation		463,011	(814)	475,048	11,025
Taxation		(1,920)	(3,395)	(5,519)	(8,906)
Profit/(loss) from continuing operations after taxation		461,091	(4,209)	469,529	2,119
(Loss)/profit from discontinuing operation		(7,081)	5,148	(6,323)	7,549
Profit for the financial period		454,010	939	463,206	9,668
Profit for the financial period attributable to : Owners of the Bank		454,010	939	463,206	9,668
Basic earnings per share for profit/(loss) from continuing operations attributable to ordinary equity holders (sen)	B3	461.09	(4.21)	469.53	2.12
Basic earnings per share for (loss)/profit from discontinuing operation attributable to ordinary equity holders (sen)	B3	(7.08)	5.15	(6.32)	7.55
Basic earnings per share for profit attributable to ordinary equity holders (sen)	B3	454.01	0.94	463.21	9.67

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	The Bank			
	2nd quarter ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	454,010	939	463,206	9,668
Profit for the financial period/Total comprehensive income	454,010	939	463,206	9,668
Total comprehensive income for the financial period arises from:				
Continuing operations	461,091	(4,209)	469,529	2,119
Discontinuing operation	(7,081)	5,148	(6,323)	7,549
	454,010	939	463,206	9,668

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

The Group 30 June 2019	← Attributable to Equity Holder of The Group →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
At 1 Jan 2019	100,000	10	(5,718)	-	5,101	-	515,939	615,332
Net profit for the financial period	-	-	(273)	-	-	-	429,549	429,276
Total comprehensive income for the financial period	-	-	(273)	-	-	-	429,549	429,276
Share-based payment expense	-	-	-	-	2,236	-	-	2,236
Shares released under Equity Ownership Plan	-	-	-	-	(3,610)	-	-	(3,610)
Transfer to regulatory reserve	-	-	-	-	-	1,740	(1,740)	-
Interim dividend paid in respect of the financial year ended 31 December 2018	-	-	-	-	-	-	(15,990)	(15,990)
At 30 June 2019	100,000	10	(5,991)	-	3,727	1,740	927,758	1,027,244

The Group 30 June 2018	← Attributable to Equity Holder of The Group →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
At 1 January 2018	100,000	10	-	317	4,119	1,952	576,929	683,327
-effect of adopting MFRS 9	-	-	(6,014)	(317)	-	5,419	1,838	926
Adjusted at 1 January 2018	100,000	10	(6,014)	-	4,119	7,371	578,767	684,253
Net profit for the financial period	-	-	-	-	-	-	11,973	11,973
Total comprehensive income for the financial period	-	-	-	-	-	-	11,973	11,973
Share-based payment expense	-	-	-	-	2,661	-	-	2,661
Shares released under Equity Ownership Plan	-	-	-	-	(3,436)	-	-	(3,436)
Transfer from regulatory reserve	-	-	-	-	-	(4,129)	4,129	-
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	(92,000)	(92,000)
At 30 June 2018	100,000	10	(6,014)	-	3,344	3,242	502,869	603,451

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

The Bank	Attributable to Equity Holder of The Bank									Total
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	RM'000	
30 June 2019										
At 1 January 2019	100,000	10	(272,007)	5,101	(6,331)	271,377	-	472,440	570,590	
Net profit for the financial period	-	-	-	-	-	-	-	463,206	463,206	
Total comprehensive income for the financial period	-	-	-	-	-	-	-	463,206	463,206	
Share-based payment expense	-	-	-	2,236	-	-	-	-	2,236	
Shares released under Equity Ownership Plan	-	-	-	(3,610)	-	-	-	-	(3,610)	
Disposal of equities business	-	-	272,007	-	-	(271,377)	-	(630)	-	
Transfer to regulatory reserve	-	-	-	-	-	-	1,740	(1,740)	-	
Interim dividend paid in respect of the financial year ended 31 December 2018	-	-	-	-	-	-	-	(15,990)	(15,990)	
At 30 June 2019	100,000	10	-	3,727	(6,331)	-	1,740	917,286	1,016,432	

The Bank	Attributable to Equity Holder of The Bank									Total
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	RM'000	
30 June 2018										
At 1 January 2018	100,000	10	(272,007)	4,119	-	271,377	1,952	539,241	644,692	
- effect of adopting MFRS 9	-	-	-	-	(6,331)	-	5,419	1,838	926	
Adjusted at 1 January 2018	100,000	10	(272,007)	4,119	(6,331)	271,377	7,371	541,079	645,618	
Net profit for the financial period	-	-	-	-	-	-	-	9,668	9,668	
Total comprehensive income for the financial period	-	-	-	-	-	-	-	9,668	9,668	
Share-based payment expense	-	-	-	2,661	-	-	-	-	2,661	
Share released under Equity Ownership Plan	-	-	-	(3,436)	-	-	-	-	(3,436)	
Transfer from regulatory reserve	-	-	-	-	-	-	(4,129)	4,129	-	
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	-	(92,000)	(92,000)	
At 30 June 2018	100,000	10	(272,007)	3,344	(6,331)	271,377	3,242	462,876	562,511	

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	The Group		The Bank	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Operating activities				
Profit/(loss) before taxation from :				
Continuing operations	440,575	11,120	475,048	11,025
Discontinuing operation	(5,121)	12,563	(6,320)	9,418
Profit before taxation including discontinuing operation	435,454	23,683	468,728	20,443
Adjustments for non-operating and non-cash items	(424,456)	8,279	(459,848)	8,326
Cash flow from operating profit before changes in operating assets and liabilities	10,998	31,962	8,880	28,769
Net changes in operating assets	(117,391)	944,229	(117,135)	945,256
Net changes in operating liabilities	215,508	(1,120,954)	217,416	(1,261,063)
Cash generated from/(used in) operating activities	109,115	(144,763)	109,161	(287,038)
Taxation refund/(paid)	9,828	(18,357)	10,080	(17,561)
Net cash generated from / (used in) operating activities	118,943	(163,120)	119,241	(304,599)
Net cash generated from investing activities	5,696	1,125	5,411	1,128
Net cash used in financing activities	(15,990)	(91,752)	(15,990)	(92,000)
	(10,294)	(90,627)	(10,579)	(90,872)
Net increase/(decrease) in cash and cash equivalents during the financial period	108,649	(253,747)	108,662	(395,471)
Cash and cash equivalents at beginning of the financial period	862,704	1,059,473	861,735	1,151,875
Cash and cash equivalents at end of the financial period	971,353	805,726	970,397	756,404
Cash and cash equivalents comprise the following:				
Cash and short term funds	998,459	832,831	997,503	783,509
Adjustment for monies held in trust:				
Remisiers' balances	(27,106)	(27,105)	(27,106)	(27,105)
Cash and cash equivalents at end of the financial period	971,353	805,726	970,397	756,404

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of The Group and The Bank for the year ended 31 December 2018.

PART A - EXPLANATORY NOTES

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2019 have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, equity instruments at fair value through other comprehensive income and derivative financial instruments that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements.

The unaudited condensed interim financial statements should be read in conjunction with the Group's and the Bank's audited financial statements for the financial year ended 31 December 2018. The explanatory notes attached to the 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 the Bank since the financial year ended 31 December 2018.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2018, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2019:

- MFRS 16 “Leases”
- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”
- Amendments to MFRS 128 “Long-term Interests in Associates and Joint Ventures”
- Amendments to MFRS 119 “Plan Amendment, Curtailment or Settlement”
- Annual Improvements to MFRSs 2015 – 2017 Cycle
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”

The adoption of MFRS 16 has required additional disclosure of leases. Other than that, the adoption of the above new standards, amendments to published standards and interpretation are not expected to give rise to significant impact on the financial results of the Group and the Bank.

The unaudited condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

The preparation of unaudited condensed interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

A2. Changes in estimates

There were no material changes to financial estimates made in respect of the current financial period that had previously been announced or disclosed.

A3. Dividends paid and proposed

A single tier interim dividend of 15.99 sen per ordinary share, amounting to RM15,990,000 in respect of the financial year ended 31 December 2018, which was approved by the Board of Directors on 28 January 2019, was paid on 28 March 2018.

The Directors have proposed a special dividend of RM4.00 per ordinary share, amounting to RM400,000,000 in respect of the financial year ending 31 December 2019, which was approved by the Board of Directors on 22 July 2019.

PART A - EXPLANATORY NOTES (CONTINUED)

A4. Significant events during the financial period

During the financial period, the Bank has completed the sale of its cash equities business including its 100% equity interest in CIMB Futures Sdn Bhd to CGS-CIMB Securities Sdn Bhd (previously known as Jupiter Securities Sdn Bhd). CGS-CIMB Securities Sdn Bhd is the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia.

A5. Financial assets at fair value through profit or loss

	The Group and the Bank	
	30 June 2019	31 December 2018
	RM'000	RM'000
<u>At fair value</u>		
Quoted securities :		
<i>In Malaysia</i>		
Shares	-	4
<i>Outside Malaysia</i>		
Shares	-	2,103
Unquoted securities :		
<i>In Malaysia</i>		
Bonds	2,501	4,330
Total financial assets at fair value through profit or loss	2,501	6,437

A6. Equity instruments at fair value through other comprehensive income

	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
<u>At fair value</u>				
Unquoted securities :				
<i>Outside Malaysia</i>				
Shares	844	1,117	-	-
Total equity instruments at fair value through other comprehensive income	844	1,117	-	-

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
A7. Other assets				
Due from brokers and clients, net of expected credit losses	428,478	449,568	428,478	449,568
Collateral pledged for derivative transactions	132,103	132,103	132,103	132,103
Other debtors, net of expected credit losses , deposits and prepayments *	590,361	33,865	589,549	33,055
	1,150,942	615,536	1,150,130	614,726

* Included in Other debtors, net of expected credit losses , deposits and prepayments are the amount receivable from CGS-CIMB Securities Sdn Bhd for the disposal of cash equities business in 2019 (RM434,981,000).

	The Group and the Bank	
	30 June 2019	31 December 2018
	RM'000	RM'000
A8. Deposits from customers		
<u>(i) By type of deposits</u>		
Short term money market deposits	187,847	127,749
<u>(ii) By type of customers</u>		
Local government and statutory bodies	30,029	30,026
Business enterprises	157,818	97,723
	187,847	127,749

	The Group and the Bank	
	30 June 2019	31 December 2018
	RM'000	RM'000
A9. Deposits and placements of banks and other financial institutions		
Licensed banks	185,714	120,637
Other financial institutions	150,559	140,450
	336,273	261,087
<u>The maturity structure of deposits and placements of banks and other financial institutions is as follows:</u>		
Due within six months	336,273	261,087

	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
A10. Other liabilities				
Due to brokers and clients	387,822	401,347	387,822	401,347
Structured deposits	131,300	131,300	131,300	131,300
Others	200,819	53,546	200,797	53,522
	719,941	586,193	719,919	586,169

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
A11. Interest income				
<u>The Group</u>				
Loans, advances and financing	-	1,346	-	2,678
Money at call and deposits placements with banks and other financial institutions	4,728	5,375	8,585	10,421
Reverse repurchase agreements	479	-	722	-
Others	1	2	30	2
	5,208	6,723	9,337	13,101
<u>The Bank</u>				
Loans, advances and financing	-	1,346	-	2,678
Money at call and deposits placements with banks and other financial institutions	4,722	5,368	8,572	10,407
Reverse repurchase agreements	479	-	722	-
Others	1	1	30	1
	5,202	6,715	9,324	13,086
A12. Interest income for financial assets at fair value through profit and loss				
<u>The Group and The Bank</u>				
Financial assets at fair value through profit or loss	28	15	80	43
Net accretion of discounts less amortisation of premium	2	-	6	(1)
	30	15	86	42
A13. Interest expense				
<u>The Group and The Bank</u>				
Deposits and placements of banks and other financial institutions	4,107	5,536	5,515	10,877
Deposits from customers	727	855	3,181	2,133
Lease liabilities	153	-	312	-
	4,987	6,391	9,008	13,010

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
A14. Non interest income				
<u>The Group</u>				
a) Fee income and commission income:				
Commissions	3,311	2,878	6,232	7,300
Group shared services income	27,745	36	48,697	90
Advisory and arrangement fees	3,785	3,028	10,827	9,905
Underwriting fees	-	6	4,800	10
Placement fees	675	125	675	227
Other fee income	5,373	475	9,058	838
	40,889	6,548	80,289	18,370
b) Net loss arising from financial assets at fair value through profit or loss :				
- realised gain/(loss)	627	(6)	(2,877)	478
- unrealised loss	(641)	(193)	(618)	(282)
	(14)	(199)	(3,495)	196
c) Net loss arising from derivative financial instrument :				
- realised loss	(6,823)	(57)	(6,824)	(338)
d) Dividend income from:				
Financial assets at fair value through profit or loss	2	3	18	3
e) Other income:				
Foreign exchange gain	2,289	3,243	3,506	4,523
Gain on disposal of property, plant and equipment	239	470	669	1,254
Gain on disposal of equities business	432,421	-	432,421	-
Other non-operating income	1,042	1,041	2,028	2,024
	435,991	4,754	438,624	7,801
f) Income from asset management and securities services	1,882	1,830	3,707	3,627
g) Brokerage Income	4,520	2,655	7,360	5,990
Total non interest income	476,447	15,534	519,679	35,649

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
A14. Non interest income (Continued)				
<u>The Bank</u>				
a) Fee income and commission income:				
Commissions	3,311	2,878	6,232	7,300
Group services fees	27,745	36	48,697	90
Advisory and arrangement fees	3,785	3,028	10,827	9,905
Underwriting commissions	-	6	4,800	10
Placement fees	675	125	675	227
Other fee income	5,373	475	9,058	838
	40,889	6,548	80,289	18,370
b) Net loss arising from financial assets at fair value through profit or loss :				
- realised gain/(loss)	627	(6)	(2,877)	478
- unrealised loss	(641)	(193)	(618)	(282)
	(14)	(199)	(3,495)	196
c) Net loss arising from derivative financial instrument :				
- realised loss	(6,823)	(57)	(6,824)	(338)
d) Dividend income from:				
Financial assets at fair value through profit or loss	2	3	18	3
e) Other income:				
Foreign exchange gain	2,289	3,244	3,506	4,524
Gain on disposal of property, plant and equipment	239	470	669	1,254
Gain on disposal of equities business	466,954	-	466,954	-
Other non-operating income	1,042	1,040	2,028	2,023
	470,524	4,754	473,157	7,801
f) Income from asset management and securities services	1,882	1,830	3,707	3,627
g) Brokerage Income	4,520	2,655	7,360	5,990
Total non interest income	510,980	15,534	554,212	35,649

PART A - EXPLANATORY NOTES (CONTINUED)**A15. Overheads**

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
<u>The Group</u>	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	41,519	20,063	74,177	48,422
- Pension cost (defined contribution plan)	2,913	2,727	5,963	5,421
- Overtime, meal and transport claims	63	114	138	188
- Others	1,480	1,739	1,700	3,497
	45,975	24,643	81,978	57,528
Establishment costs				
- Depreciation of property, plant and equipment	934	2,902	2,912	5,864
- Depreciation of right-of-use assets	766	-	1,531	-
- Depreciation of investment property	128	128	257	257
- Rental	987	1,712	1,939	3,358
- Others	1,174	699	2,067	2,127
	3,989	5,441	8,706	11,606
Marketing expenses				
- Advertisement	30	(512)	74	(512)
- Entertainment expenses	330	500	1,084	1,310
- Others	309	675	380	887
	669	663	1,538	1,685
Administration and general expenses				
- Legal and professional fees	349	161	1,186	(184)
- Communication	171	82	261	205
- Printing and stationery	68	107	132	208
- Administrative vehicle, travelling and insurance expenses	525	222	765	910
- Others	872	3,291	1,722	4,910
	1,985	3,863	4,066	6,049
Shared services cost #	-	(12,306)	-	(33,089)
Total overhead expenses	52,618	22,304	96,288	43,779

PART A - EXPLANATORY NOTES (CONTINUED)**A15. Overheads (Continued)**

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>The Bank</u>				
Personnel costs				
- Salaries, allowances and bonuses	41,519	20,062	74,177	48,421
- Pension cost (defined contribution plan)	2,913	2,727	5,963	5,421
- Overtime, meal and transport claims	63	114	138	188
- Others	1,480	1,738	1,700	3,496
	45,975	24,641	81,978	57,526
Establishment costs				
- Depreciation of property, plant and equipment	934	2,902	2,912	5,864
- Depreciation of right-of-use assets	766	-	1,531	-
- Depreciation of investment property	128	128	257	257
- Rental	987	1,712	1,939	3,358
- Others	1,174	699	2,067	2,127
	3,989	5,441	8,706	11,606
Marketing expenses				
- Advertisement	30	(512)	74	(512)
- Entertainment expenses	330	428	1,084	1,238
- Others	309	748	380	960
	669	664	1,538	1,686
Administration and general expenses				
- Legal and professional fees	348	161	1,184	(184)
- Communication	171	82	261	205
- Printing and stationery	68	107	132	208
- Administrative vehicle, travelling and insurance expenses	525	221	765	909
- Others	865	3,285	1,703	4,901
	1,977	3,856	4,045	6,039
Shared services cost #	-	(12,306)	-	(33,089)
Total overhead expenses	52,610	22,296	96,267	43,768

In 2019, The Bank has changed its shared services operating model from cost sharing arrangement to service level arrangement.

PART A - EXPLANATORY NOTES (CONTINUED)

A16 (a). Expected credit losses made on loans, advances and financing

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
<u>The Group and The Bank</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Expected credit losses made on loans, advances and financing at amortised cost:				
- Expected credit losses made on loans, advances and financing	-	66	-	128
Credit impaired :				
- recovered	-	-	-	(98)
	<u>-</u>	<u>66</u>	<u>-</u>	<u>30</u>

A16 (b). Expected credit losses (written back)/ made on other receivables

The Group and The Bank

Expected credit losses (written back)/made on:				
- Other receivables	(239)	1,726	(52)	1,371
	<u>(239)</u>	<u>1,726</u>	<u>(52)</u>	<u>1,371</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A17. Derivative financial instruments and commitment and contingencies

i) Derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of trading derivative. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding as at statement of financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

	The Group and The Bank		
	Principal	Fair values	
	amount	Assets	Liabilities
	RM'000	RM'000	RM'000
At 30 June 2019			
Trading derivatives			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	131,300	1,380	-
<u>Equity derivatives</u>			
Equity options			
- Less than 1 year	270,928	-	-
<u>Credit related contract</u>			
Total return swap			
- More than 3 years	262,600	2,206	(2,309)
Total derivative assets/(liabilities)	664,828	3,586	(2,309)
At 31 December 2018			
Trading derivatives			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	131,300	2,379	-
<u>Equity derivatives</u>			
Equity options			
- Less than 1 year	271,026	-	-
<u>Credit related contract</u>			
Total return swap			
- More than 3 years	262,600	2,861	(3,249)
Total derivative assets/(liabilities)	664,926	5,240	(3,249)

PART A - EXPLANATORY NOTES (CONTINUED)

A17. Derivative financial instruments and commitment and contingencies (Continued)

i) Derivative financial instruments (Continued)

The Group's derivative financial instruments are subject to market and credit risk, as follows:

Market Risk

Market risk is defined as any fluctuation in the value arising from changes in value of market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. The Group's risk management department monitors and manages market risk exposure via stress testing of the Group's Value-at-Risk (VaR) model, in addition to reviewing and analysing its treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy, and verifying transaction prices.

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfill their obligation to pay the Group and the Bank the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2019, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM3,586,000 (31 December 2018: RM5,240,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

Cash requirements of the derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 June 2019, the Group and the Bank has posted cash collateral of RM132 million (31 December 2018: RM132 million) on their derivative contracts.

There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are disclosed in the audited annual financial statements for the financial year ended 31 December 2018.

PART A - EXPLANATORY NOTES (CONTINUED)

A17. Derivative financial instruments and commitment and contingencies (Continued)

ii) Commitment and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

These commitments and contingencies are not secured over the assets of the Group and the Bank.

The notional or principal amount of the commitments and contingencies constitute the following :

	The Group and the Bank	
	30 June 2019	31 December 2018
	Principal amount RM'000	Principal amount RM'000
<u>Credit-related</u>		
Obligations under underwriting agreement	-	250,000
Total credit-related commitments and contingencies	-	250,000
<u>Treasury-related</u>		
Interest rate related contracts		
- Five years and above	131,300	131,300
Equity related contracts		
- Less than one year	270,928	271,026
Credit related contracts		
- Five years and above	262,600	262,600
Total treasury-related commitments and contingencies	664,828	664,926
	664,828	914,926

PART A - EXPLANATORY NOTES (CONTINUED)

A18. Capital Adequacy

The capital adequacy ratios of the Bank and the Group are calculated based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) of which the latest revisions were issued on 2 February 2018. The revised guidelines took effect on 1 January 2018 and 1 January 2019 for all banking institutions and financial holding companies respectively. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group and The Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk Weighted Assets) of which the latest revisions were issued on 2 February 2018.

The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

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

	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Before deducting proposed dividend				
Common Equity Tier 1 Ratio	64.688%	31.110%	65.517%	32.466%
Tier 1 ratio	64.688%	31.110%	65.517%	32.466%
Total capital ratio	64.688%	31.110%	65.517%	32.466%
After deducting proposed dividend				
Common Equity Tier 1 Ratio	38.854%	30.254%	39.307%	31.502%
Tier 1 ratio	38.854%	30.254%	39.307%	31.502%
Total capital ratio	38.854%	30.254%	39.307%	31.502%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Credit risk	910,072	898,080	910,214	709,148
Market risk	51,328	397,868	50,903	397,443
Operational risk	586,920	573,431	565,018	551,313
Total risk-weighted assets	1,548,320	1,869,379	1,526,135	1,657,904

c) Components of Common Equity Tier I and Tier II capital are as follows :

	The Group		The Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier I capital				
Ordinary share capital	100,000	100,000	100,000	100,000
Other reserves	927,234	515,322	916,422	470,580
Less : Proposed dividends	(400,000)	(15,990)	(400,000)	(15,990)
Common Equity Tier I capital before regulatory adjustments	627,234	599,332	616,422	554,590
<u>Less: Regulatory adjustments</u>				
Goodwill	-	(964)	-	-
Deferred Tax Assets	(14,089)	(19,239)	(14,089)	(19,074)
Deduction in excess of Tier 1 & 2 capital	(722)	(4,251)	(722)	(4,251) N1
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(9,105)	(9,311)	-	(9,000)
Regulatory reserve	(1,740)	-	(1,740)	-
Common equity tier I capital after regulatory adjustments / Total Tier I Capital	601,578	565,567	599,871	522,265
Tier II capital				
Redeemable Preference Shares	3	4	3	4
General provisions	1,740	-	1,740	-
Tier II capital before regulatory adjustments	1,743	4	1,743	4
<u>Less: Regulatory adjustments</u>				
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(2,465)	(4,255)	(2,465)	(4,255)
Total Tier II capital	-	-	-	- N1
Total capital	601,578	565,567	599,871	522,265

N1 The excess of deductions over available Tier II capital was deducted under Common Equity Tier I capital.

PART A - EXPLANATORY NOTES (CONTINUED)

A19. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

Definition of segments

The Group is organized into five major business segments which form the basis on which the Group reports its segment information:

i. Investment Banking

Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of equity and equity-linked products, debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

ii. Treasury & Markets

Treasury focuses on treasury activities and services which include foreign exchange, money market and derivative

iii. Asset Management & Securities Services

Asset Management & Securities Services offer a full suite of wealth management solutions and trust services.

iv. Equities

Equity provide broking services to corporate, institutional and retail clients. This segment has been classified as discontinuing operation in 2018. (Refer to Note A4)

v. Support & Others

Support and others comprise middle and back office processes and other non-core services.

PART A - EXPLANATORY NOTES (CONTINUED)

A19. Segment reporting (Continued)

The following table presents an analysis of the Group's results and statements of financial position by business segments:

	← Continuing operations →				← Discontinuing operation →		Total RM'000
	Investment Banking RM'000	Treasury & Markets RM'000	Asset Management & Securities Services RM'000	Support and others RM'000	Total continuing operations RM'000	Equities RM'000	
The Group							
30 June 2019							
Net interest income	-	407	-	8	415	5,978	6,393
Non interest income	32,539	7,356	477,150	2,634	519,679	51,658	571,337
Income from Islamic Banking operations	4,791	9,255	2,603	-	16,649	795	17,444
	37,330	17,018	479,753	2,642	536,743	58,431	595,174
Overheads	(43,540)	(8,086)	(44,492)	(170)	(96,288)	(63,772)	(160,060)
<i>of which :</i>							
<i>Depreciation of property, plant and equipment</i>	-	(187)	(2,725)	-	(2,912)	(741)	(3,653)
<i>Depreciation of Investment Property</i>	-	-	(257)	-	(257)	-	(257)
(Loss)/ profit before expected credit losses	(6,210)	8,932	435,261	2,472	440,455	(5,341)	435,114
Other expected credit losses written back/(made) for other impairment losses	347	(54)	(241)	-	52	220	272
Segment results	(5,863)	8,878	435,020	2,472	440,507	(5,121)	435,386
Share of results of associates					68	-	68
Profit before taxation					440,575	(5,121)	435,454
Taxation					(5,615)	(290)	(5,905)
Net profit for the financial period					434,960	(5,411)	429,549
30 June 2019							
Segment assets	23,539	1,227,053	35,615	992,359	2,278,566	-	2,278,566
Unallocated assets							23,671
Total assets							2,302,237
Segment liabilities	19,081	779,828	49,823	412,912	1,261,644	-	1,261,644
Unallocated liabilities							13,349
Total liabilities							1,274,993
Other segment items							
Capital expenditure:	(799)	41	1,602	92	936	2,165	3,101

PART A - EXPLANATORY NOTES (CONTINUED)

A19. Segment reporting (Continued)

The following table presents an analysis of the Group's results and statements of financial position by business segments: (continued)

	Continuing operations				Discontinuing operation		Total RM'000
	Investment Banking RM'000	Treasury & Markets RM'000	Asset Management & Securities Services RM'000	Support and others RM'000	Total continuing operations RM'000	Equities RM'000	
The Group 30 June 2018							
Net interest income	-	(2,522)	-	2,655	133	5,812	5,945
Non interest income	6,758	4,361	21,293	3,237	35,649	63,943	99,592
Income from Islamic Banking operations	246	17,516	2,665	-	20,427	1,591	22,018
	7,004	19,355	23,958	5,892	56,209	71,346	127,555
Overheads	(21,929)	(18,019)	(1,203)	(2,628)	(43,779)	(60,961)	(104,740)
<i>of which :</i>							
<i>Depreciation of property, plant and equipment</i>	(1,194)	(2,076)	(2,554)	(40)	(5,864)	(1,212)	(7,076)
<i>Depreciation of Investment Property</i>	-	-	(257)	-	(257)	-	(257)
(Loss)/profit before allowances	(14,925)	1,336	22,755	3,264	12,430	10,385	22,815
Expected credit losses made on loans, advances and financing	-	-	98	(128)	(30)	-	(30)
Other expected credit losses (made)/written back for other impairment losses	724	(2,593)	497	1	(1,371)	2,178	807
Segment results	(14,201)	(1,257)	23,350	3,137	11,029	12,563	23,592
Share of results of associates					91	-	91
Profit before taxation					11,120	12,563	23,683
Taxation					(9,086)	(2,624)	(11,710)
Net profit for the financial period					2,034	9,939	11,973
31 December 2018							
Segment assets	7,458	970,778	16,626	580,040	1,574,902	74,288	1,649,190
Unallocated assets							35,854
Total assets							1,685,044
Segment liabilities	4,185	523,379	33,486	417,202	978,252	76,866	1,055,118
Unallocated liabilities							14,594
Total liabilities							1,069,712
Other segment items							
Capital expenditure:	12	-	50	324	386	107	493

PART A - EXPLANATORY NOTES (CONTINUED)

A20. FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value and fair value hierarchy

Valuation Model Review and Approval

The fair value hierarchy has the following levels:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of rate reasonableness verification;
- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative Analysts before submitting to the Group Market Risk Committee for approval;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management and/or the Group Market Risk Committee;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

PART A - EXPLANATORY NOTES (CONTINUED)

A20. FAIR VALUE ESTIMATION (CONTINUED)

The following table represents The Group's and The Bank's financial assets and financial liabilities measured at fair value and classified by level with the following fair value measurement hierarchy as at 30 June 2019 and 31 December 2018.

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>The Group</u>					
30 June 2019					
<i>Recurring fair value measurement</i>					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss					
- Unquoted securities	2,501	-	2,501	-	2,501
Equity instruments at fair value through other comprehensive income					
- Unquoted securities	844	-	-	844	844
Derivative financial instruments					
- Trading derivatives	3,586	-	3,586	-	3,586
Total	6,931	-	6,087	844	6,931
<u>Financial liabilities</u>					
Derivative financial instruments					
- Trading derivatives	2,309	-	2,309	-	2,309
Total	2,309	-	2,309	-	2,309

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>The Bank</u>					
30 June 2019					
<i>Recurring fair value measurement</i>					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss					
- Unquoted securities	2,501	-	2,501	-	2,501
Derivative financial instruments					
- Trading derivatives	3,586	-	3,586	-	3,586
Total	6,087	-	6,087	-	6,087
<u>Financial liabilities</u>					
Derivative financial instruments					
- Trading derivatives	2,309	-	2,309	-	2,309
Total	2,309	-	2,309	-	2,309

PART A - EXPLANATORY NOTES (CONTINUED)

A20. FAIR VALUE ESTIMATION (CONTINUED)

The following table represents The Group's and The Bank's financial assets and financial liabilities measured at fair value and classified by level with the following fair value measurement hierarchy as at 30 June 2019 and 31 December 2018. (Continued)

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>The Group</u>					
31 December 2018					
<i>Recurring fair value measurement</i>					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss					
- Quoted securities	2,107	2,107	-	-	2,107
- Unquoted securities	4,330	-	4,330	-	4,330
Equity instruments at fair value through other comprehensive income					
- Unquoted securities	1,117	-	-	1,117	1,117
Derivative financial instruments					
- Trading derivatives	5,240	-	5,240	-	5,240
Total	12,794	2,107	9,570	1,117	12,794

Financial liabilities

Derivative financial instruments					
- Trading derivatives	3,249	-	3,249	-	3,249
Total	3,249	-	3,249	-	3,249

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>The Bank</u>					
31 December 2018					
<i>Recurring fair value measurement</i>					
<u>Financial assets</u>					
Financial assets at fair value through profit or loss					
- Quoted securities	2,107	2,107	-	-	2,107
- Unquoted securities	4,330	-	4,330	-	4,330
Derivative financial instruments					
- Trading derivatives	5,240	-	5,240	-	5,240
Total	11,677	2,107	9,570	-	11,677

Financial liabilities

Derivative financial instruments					
- Trading derivatives	3,249	-	3,249	-	3,249
Total	3,249	-	3,249	-	3,249

PART A - EXPLANATORY NOTES (CONTINUED)

A20. FAIR VALUE ESTIMATION (CONTINUED)

The following represents the movement in Level 3 instruments for the financial period/year ended 30 June 2019 and 31 December 2018 for The Group and The Bank.

	Financial Assets	
	Equity instruments at fair value through other comprehensive income	Total
The Group	Unquoted securities	RM'000
<u>30 June 2019</u>	RM'000	RM'000
At 1 January	1,117	1,117
Total loss recognised in other comprehensive income	(273)	(273)
At 30 June 2019	844	844
Total loss recognised in other comprehensive income relating to assets held on 30 June 2019	(273)	(273)

	Financial Assets	
	Financial investments available-for-sale	Total
The Group	RM'000	RM'000
<u>31 December 2018</u>	RM'000	RM'000
At 1 January 2018	-	-
Effect of adopting MFRS 9 on 1 January 2019	821	821
Total gain recognised in other comprehensive income	296	296
At 31 December 2018	1,117	1,117

PART A - EXPLANATORY NOTES (CONTINUED)

A21. The operations of Islamic Banking

A21a. Unaudited Statements of Financial Position as at 30 June 2019

	The Group and The Bank	
		31 December
	30 June 2019	2018
	RM'000	RM'000
Assets		
Cash and short-term funds	311,543	308,950
Islamic derivative financial instruments	3,586	5,240
Other assets	134,584	141,191
Tax recoverable	10,242	8,907
Deferred tax assets	185	159
Property, plant and equipment	12	53
Amount due from related companies	161	238
Total assets	460,313	464,738
Liabilities and Islamic Banking capital funds		
Islamic derivative financial instruments	2,309	3,249
Other liabilities	137,790	132,769
Amount due to related companies	412	412
	140,511	136,430
Non-current liabilities held for sale	-	143
Total liabilities	140,511	136,573
Islamic Banking capital funds	55,696	55,696
Reserves	264,106	272,469
Total Islamic Banking capital funds	319,802	328,165
Total liabilities and Islamic Banking capital funds	460,313	464,738

PART A - EXPLANATORY NOTES (CONTINUED)**A21. The operations of Islamic Banking (Continued)****A21b. Unaudited Statements of Income for the financial period ended 30 June 2019**

	The Group and The Bank			
	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of shareholders' funds	4,158	7,402	16,649	20,428
Expected credit losses made on other receivables	(45)	(205)	(157)	(202)
Total attributable income	4,113	7,197	16,492	20,226
Income attributable to the depositors and others	(1)	(1)	-	(1)
Total net income	4,112	7,196	16,492	20,225
Personnel expenses	(170)	(159)	(343)	(305)
Other overheads and expenditures	(3,144)	(4,962)	(4,966)	(7,900)
Profit before taxation	798	2,075	11,183	12,020
Taxation	207	(741)	(2,292)	(3,128)
Profit from continuing operations	1,005	1,334	8,891	8,892
Profit from discontinuing operation	(842)	113	(1,260)	(375)
Profit after taxation/total comprehensive income for the period	163	1,447	7,631	8,517
<u>Income from Islamic operations (per page 3)</u>				
Total net income	4,112	7,196	16,492	20,225
Less : Expected credit losses made on other receivables	45	205	157	202
	4,157	7,401	16,649	20,427

PART A - EXPLANATORY NOTES (CONTINUED)

A21c. Capital Adequacy

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

	The Group and The Bank	
	30 June 2019	31 December 2018
Before deducting proposed dividend		
Common Equity Tier 1 Ratio	128.978%	126.108%
Tier 1 ratio	128.978%	126.108%
Total capital ratio	128.978%	126.108%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	48.270%	119.960%
Tier 1 ratio	48.270%	119.960%
Total capital ratio	48.270%	119.960%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group and The Bank	
	30 June 2019	31 December 2018
	RM'000	RM'000
Credit risk	148,029	151,485
Market risk	6,842	7,197
Operational risk	92,937	101,417
Total risk-weighted assets	247,808	260,099

c) Components of Common Equity Tier I and Tier II capital are as follows :

	The Group and The Bank	
	30 June 2019	31 December 2018
	RM'000	RM'000
Common Equity Tier I capital		
Ordinary share capital	55,696	55,696
Other reserves	264,106	272,469
Less : Proposed dividend	(200,000)	(15,990)
Common Equity Tier I capital / Total Tier I Capital	119,802	312,175
<u>Less: Regulatory adjustments</u>		
Deferred Tax Assets	(185)	(159)
Common equity tier I capital after regulatory adjustments / total Tier I capital	119,617	312,016
Total capital base	119,617	312,016

PART A - EXPLANATORY NOTES (CONTINUED)

A22. Credit transactions and exposures with connected parties

	The Group	
	30 June 2019	31 December 2018
	RM'000	RM'000
Outstanding credit exposures with connected parties	20,382	20,642
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.8%	1.3%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.0%	0.0%

PART B - EXPLANATORY NOTES

B1. Group Performance Review

The Group reported a profit after taxation of RM429.5 million for the financial period ended 30 June 2019 compared to RM12.0 mil for the same period in the preceding year. The increase was attributed to a capital gain of RM432.4 million from the disposal of cash equities business, lowered partly by higher operating expenses and income compression at cash equities (discontinuing business) in the first half year of 2019.

B2. Prospects for the Current Financial Year

The Group is maintaining a cautious outlook for the second half of 2019 in view of the sustained global and regional economic headwinds. In the Equity Capital Market (ECM) space, secondary offerings are expected to remain active whilst the IPO market may be subdued. The positive momentum in the Debt Capital Market (DCM) segment is likely to continue whilst Mergers & Acquisitions and advisory activities are expected to pick up in the second half of 2019.

B3. COMPUTATION OF EARNINGS PER SHARE (EPS)

a) Basic EPS

Basic earnings per share of The Group and The Bank are calculated by dividing the net profit attributable to owners of The Group and The Bank by the weighted average number of ordinary shares issue during the financial period.

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Net profit/(loss) from continuing operations (RM '000)	426,690	(4,263)	434,960	2,034
Net (loss)/profit from discontinuing operation (RM '000)	(6,652)	6,568	(5,411)	9,939
	420,038	2,305	429,549	11,973
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share for profit/(loss) from continuing operations (expressed in sen per share)	426.69	(4.26)	434.96	2.03
Basic earnings per share for (loss)/profit from discontinuing operation (expressed in sen per share)	(6.65)	6.57	(5.41)	9.94
Total basic earnings per share for profit attributable to equity shareholders (expressed in sen per share)	420.04	2.31	429.55	11.97

PART B - EXPLANATORY NOTES (CONTINUED)

B3. COMPUTATION OF EARNINGS PER SHARE (EPS) (Continued)

	The Bank			
	2nd quarter ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Net profit/(loss) from continuing operations (RM '000)	461,091	(4,209)	469,529	2,119
Net (loss)/profit from discontinuing operation (RM '000)	(7,081)	5,148	(6,323)	7,549
	454,010	939	463,206	9,668
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share for profit/(loss) from continuing operations (expressed in sen per share)	461.09	(4.21)	469.53	2.12
Basic earnings per share for (loss)/profit from discontinuing operation (expressed in sen per share)	(7.08)	5.15	(6.32)	7.55
Total basic earnings per share for profit attributable to equity shareholders(expressed in sen per share)	454.01	0.94	463.21	9.67

b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 30 June 2019 and 30 June 2018 respectively.