

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	The Group		The Bank	
		30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Assets					
Cash and short term funds		3,127,460	1,419,038	3,081,677	1,374,452
Deposits and placements with banks and other financial institutions		2,031	2,033	2,002	2,004
Financial assets held for trading	A5	567	267	567	267
Derivative financial instruments	A17(i)	11,881	12,919	11,881	12,919
Financial investments available-for-sale	A6	1,433	1,303	611	611
Loans, advances and financing	A7	177,819	183,466	177,819	183,466
Other assets	A8	1,218,380	992,038	1,215,112	989,408
Tax recoverable		14,882	5,895	14,850	5,895
Deferred tax assets		14,132	15,891	14,007	15,771
Amounts due from subsidiaries		-	-	143	46
Amounts due from related companies		16,042	17,834	16,011	17,831
Amounts due from immediate holding company		1	-	1	-
Amounts due from ultimate holding company		126	241	126	241
Statutory deposits with Bank Negara Malaysia		91	146	91	146
Investment in subsidiaries		-	-	9,050	9,050
Investment in associates		7,448	7,202	-	-
Property, plant and equipment		55,056	65,093	56,061	66,027
Investment property		18,107	18,364	18,107	18,364
Goodwill		964	964	-	-
Total assets		4,666,420	2,742,694	4,618,116	2,696,498
Liabilities					
Deposits from customers	A9	1,833,320	217,123	1,833,320	217,123
Deposits and placements of banks and other financial institutions	A10	1,046,941	980,157	1,046,941	980,157
Derivative financial instruments	A17(i)	6,489	6,884	6,489	6,884
Other liabilities	A11	1,166,835	882,399	1,164,573	880,088
Provision for taxation		1	100	-	-
Amounts due to related companies		1,267	3,530	1,267	3,530
Subordinated loan		10,248	10,000	-	-
Total liabilities		4,065,101	2,100,193	4,052,590	2,087,782
Capital and reserves attributable to equity holders of the Bank					
Ordinary share capital		100,000	100,000	100,000	100,000
Redeemable preference shares		10	10	10	10
Reserves		501,309	542,491	465,516	508,706
Total equity		601,319	642,501	565,526	608,716
Total equity and liabilities		4,666,420	2,742,694	4,618,116	2,696,498
Commitments and contingencies	A17(ii)	1,013,746	778,485	1,013,746	778,485
Net assets per share (RM)		6.01	6.43	5.66	6.09

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 2016.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Notes	The Group				The Bank			
		2nd quarter ended		Six months ended		2nd quarter ended		Six months ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest income	A12	11,122	9,633	21,211	19,199	9,828	8,116	18,129	16,028
Interest expense	A13	(9,413)	(8,903)	(17,903)	(18,084)	(9,287)	(8,830)	(17,643)	(17,949)
Net interest income / (expense)		1,709	730	3,308	1,115	541	(714)	486	(1,921)
Income derived from investment of shareholders' funds		8,998	10,486	14,432	31,012	8,998	10,486	14,432	31,012
Income attributable to the depositors		(1)	(1)	(2)	(1)	(1)	(1)	(2)	(1)
Income from Islamic Banking operations	A21b	8,997	10,485	14,430	31,011	8,997	10,485	14,430	31,011
Fee and commission income	A14	22,665	20,586	31,735	40,668	22,665	20,586	31,735	40,668
Dividend income	A14	2	-	2	-	2	-	2	-
Net trading income/(loss)	A14	291	400	(9,093)	741	291	400	(9,093)	741
Income from asset management and securities services	A14	4,375	2,288	8,889	6,467	4,375	2,288	8,889	6,467
Brokerage income	A14	32,980	30,453	65,680	58,248	31,939	28,994	63,563	55,489
Other non-interest income	A14	5,316	5,456	22,787	2,921	5,329	5,391	22,803	2,925
Non-interest income		65,629	59,183	120,000	109,045	64,601	57,659	117,899	106,290
Total income		76,335	70,398	137,738	141,171	74,139	67,430	132,815	135,380
Overheads	A15	(59,500)	(58,864)	(109,842)	(120,123)	(58,517)	(57,754)	(107,249)	(117,469)
Profit before allowances (Allowance for)/writeback of impairment losses on loans, advances and financing	A16	16,835	11,534	27,896	21,048	15,622	9,676	25,566	17,911
Writeback of/(allowance for) impairment losses on other receivables (net)		462	(211)	188	(342)	462	(211)	188	(327)
		16,849	11,206	26,815	21,417	15,636	9,348	24,485	18,295
Share of profit of associates		208	227	246	301	-	-	-	-
Profit before taxation		17,057	11,433	27,061	21,718	15,636	9,348	24,485	18,295
Taxation		(5,934)	(2,084)	(10,639)	(7,440)	(5,642)	(1,623)	(9,941)	(6,675)
Profit after taxation		11,123	9,349	16,422	14,278	9,994	7,725	14,544	11,620
Profit for the financial period attributable to : Owners of the Group/Bank		11,123	9,349	16,422	14,278	9,994	7,725	14,544	11,620
Earnings per share attributable to ordinary equity holders (sen)									
-Basic	B3	11.1	9.3	16.4	14.3	10.0	7.7	14.54	11.6

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 2016.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	The Group				The Bank			
	2nd quarter ended		Six months ended		2nd quarter ended		Six months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the period	11,123	9,349	16,422	14,278	9,994	7,725	14,544	11,620
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss								
Revaluation reserve - financial investments								
available-for-sale	130	-	130	-	-	-	-	-
- Gain from change in fair value	130	-	130	-	-	-	-	-
Other comprehensive income for the financial period, net of tax	11,253	9,349	16,552	14,278	9,994	7,725	14,544	11,620
Total comprehensive income attributable to:								
Owners of the Group/Bank	11,253	9,349	16,552	14,278	9,994	7,725	14,544	11,620

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 2016.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

The Group 30 June 2017	← Attributable to owners of Parent →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
At 1 January 2017	100,000	10	155,805	188	3,188	2,104	381,206	642,501
Net profit for the financial period	-	-	-	-	-	-	16,422	16,422
Other comprehensive expense (net of tax)	-	-	-	130	-	-	-	130
- financial investments available-for-sales	-	-	-	130	-	-	-	130
Total comprehensive income for the financial period	-	-	-	130	-	-	16,422	16,552
Share-based payment expense	-	-	-	-	1,248	-	-	1,248
Shares released under Equity Ownership Plan	-	-	-	-	(1,982)	-	-	(1,982)
Transfer from statutory reserve	-	-	(155,805)	-	-	-	155,805	-
Transfer to/(from) regulatory reserve	-	-	-	-	-	(56)	56	-
Interim dividend paid in respect of the financial year ended 31 December 2016	-	-	-	-	-	-	(57,000)	(57,000)
At 30 June 2017	100,000	10	-	318	2,454	2,048	496,489	601,319

The Group 30 June 2016	← Attributable to owners of the Parent →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
At 1 January 2016	100,000	10	155,805	188	12,146	2,181	384,438	654,768
Net profit for the financial period	-	-	-	-	-	-	14,278	14,278
Total comprehensive income for the financial period	-	-	-	-	-	-	14,278	14,278
Share-based payment expense	-	-	-	-	4,023	-	-	4,023
Share released under Equity Ownership Plan	-	-	-	-	(9,199)	-	-	(9,199)
Transfer to/(from) regulatory reserve	-	-	-	-	-	(26)	26	-
Interim dividend paid in respect of the financial year ended 31 December 2015	-	-	-	-	-	-	(66,000)	(66,000)
At 30 June 2016	100,000	10	155,805	188	6,970	2,155	332,742	597,870

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 2016.

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Redeemable		Non-distributable				Distributable		Total RM'000
	Ordinary share capital RM'000	preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
The Bank									
30 June 2017									
At 1 January 2017	100,000	10	155,805	(272,007)	3,188	271,377	2,104	348,239	608,716
Net profit for the financial period	-	-	-	-	-	-	-	14,544	14,544
Total comprehensive income for the financial period	-	-	-	-	-	-	-	14,544	14,544
Share-based payment expense	-	-	-	-	1,248	-	-	-	1,248
Shares released under Equity Ownership Plan	-	-	-	-	(1,982)	-	-	-	(1,982)
Transfer from statutory reserve	-	-	(155,805)	-	-	-	-	155,805	-
Transfer to/(from) regulatory reserve	-	-	-	-	-	-	(56)	56	-
Interim dividend paid in respect of the financial year ended 31 December 2016	-	-	-	-	-	-	-	(57,000)	(57,000)
At 30 June 2017	100,000	10	-	(272,007)	2,454	271,377	2,048	461,644	565,526

	Redeemable		Non-distributable				Distributable		Total RM'000
	Ordinary share capital RM'000	preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
The Bank									
30 June 2016									
At 1 January 2016	100,000	10	155,805	(272,007)	12,146	271,377	2,181	356,225	625,737
Net profit for the financial period	-	-	-	-	-	-	-	11,620	11,620
Total comprehensive income for the financial period	-	-	-	-	-	-	-	11,620	11,620
Share-based payment expense	-	-	-	-	4,023	-	-	-	4,023
Share released under Equity Ownership Plan	-	-	-	-	(9,199)	-	-	-	(9,199)
Transfer to/(from) regulatory reserve	-	-	-	-	-	-	(26)	26	-
Interim dividend paid in respect of the financial year ended 31 December 2015	-	-	-	-	-	-	-	(66,000)	(66,000)
At 30 June 2016	100,000	10	155,805	(272,007)	6,970	271,377	2,155	301,871	566,181

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 2016.

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 2017

	The Group		The Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit before taxation	27,061	21,718	24,485	18,295
Adjustments for non-operating and non-cash items	(2,448)	18,000	(2,286)	18,190
Cash flow from operating profit before changes in operating assets and liabilities	24,613	39,718	22,199	36,485
Net changes in operating assets	(207,399)	(115,867)	(206,815)	(114,845)
Net changes in operating liabilities	1,965,483	200,395	1,965,527	200,161
Cash generated from operating activities	1,782,697	124,246	1,780,911	121,801
Taxation paid	(17,165)	(15,911)	(16,329)	(15,302)
Net cash generated from operating activities	1,765,532	108,335	1,764,582	106,499
Net cash used in investing activities	(33)	(3,108)	(32)	(3,032)
Net cash used in financing activities	(56,752)	(65,875)	(57,000)	(66,000)
	(56,785)	(68,983)	(57,032)	(69,032)
Net increase in cash and cash equivalents during the financial period	1,708,747	39,352	1,707,550	37,467
Cash and cash equivalents at beginning of the financial period	1,391,206	1,155,421	1,346,620	1,120,276
Cash and cash equivalents at end of the financial period	3,099,953	1,194,773	3,054,170	1,157,743
Cash and cash equivalents comprise the following:				
Cash and short term funds	3,127,460	1,223,219	3,081,677	1,186,189
Adjustment for monies held in trust:				
Remisiers' balances	(27,507)	(28,446)	(27,507)	(28,446)
Cash and cash equivalents at end of the financial period	3,099,953	1,194,773	3,054,170	1,157,743

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 2016.

PART A - EXPLANATORY NOTES

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2017 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale 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.

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 2016. 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 2016.

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 2016, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2017:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual improvement to MFRSs 2014 - 2016 Cycle:
 - Amendment to MFRS 12, "Disclosure of Interests in Other Entities"

The adoption of the new standards, amendments to published standards and interpretations are not expected to have 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 57sen per ordinary share, amounting to RM57,000,000 in respect of the financial year ended 31 December 2016, which was approved by the Board of Directors on 25 January 2017, was paid on 4 April 2017.

No dividend has been proposed during the financial period ended 30 June 2017.

A4. Significant events after balance sheet date

There were no significant events that had occurred between 30 June 2017 and the date of this announcement.

A5. Financial assets held for trading

	The Group and the Bank	
	30 June	31 December
	2017	2016
	RM'000	RM'000
<u>At fair value</u>		
Quoted securities :		
<i>In Malaysia</i>		
Shares	218	217
<i>Outside Malaysia</i>		
Shares	49	50
Unquoted securities :		
<i>In Malaysia</i>		
Bonds	300	-
Total financial assets held for trading	<u>567</u>	<u>267</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A6. Financial investments available-for-sale

	The Group		The Bank	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted securities :				
<i>Outside Malaysia</i>				
Shares	7,898	7,768	7,076	7,076
	7,898	7,768	7,076	7,076
Allowance for impairment losses :				
Unquoted shares outside Malaysia	(6,465)	(6,465)	(6,465)	(6,465)
	(6,465)	(6,465)	(6,465)	(6,465)
Total financial investments available-for-sale	1,433	1,303	611	611

A7. Loans, advances and financing

	The Group and the Bank	
	30 June	31 December
	2017	2016
	RM'000	RM'000
(i) By type		
Staff loans *	177,906	183,565
Other loans	3,356	2,075
Gross loans, advances and financing	181,262	185,640
Less: allowance for impairment losses		
- Individual impairment allowance	(3,356)	(2,075)
- Portfolio impairment allowance	(87)	(99)
Total net loans, advances and financing	177,819	183,466

* There were no loans to directors included in staff loans of the Group and the Bank as at 30 June 2017. (31 December 2016: RM Nil).

(ii) By type of customers

Individuals	181,262	185,640
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(iii) By interest rate sensitivity

Fixed rate		
- Other fixed rate loan	19,710	22,009
Variable rate		
- BLR plus	161,552	163,631
	181,262	185,640

(iv) By economic purpose:

Personal use	2,246	2,250
Purchase of residential property (housing)	174,570	177,685
Purchase of transport vehicles	4,446	5,705
Gross loans, advances and financing	181,262	185,640

PART A - EXPLANATORY NOTES (CONTINUED)**A7. Loans, advances and financing (continued)**

	The Group and the Bank	
	30 June	31 December
	2017	2016
	RM'000	RM'000
(v) By geographical distribution		
Malaysia	181,262	185,640
(vi) By residual contractual maturity		
Within one year	283	376
One year to less than three years	2,268	2,357
Three years to less than five years	3,297	3,561
Five years and more	175,414	179,346
	181,262	185,640
(vii) Impaired loans, advances and financing by economic purpose		
Purchase of residential property (housing)	2,986	1,741
Purchase of transport vehicles	370	334
Gross impaired loans, advances and financing	3,356	2,075
(viii) Impaired loans, advances and financing by geographical distribution		
Malaysia	3,356	2,075
(ix) Movements in the impaired loans, advances and financing are as follows:		
At 1 January	2,075	1,228
Classified as impaired during the year	1,299	1,132
Amounts written back in respect of recoveries	(18)	(285)
At 30 June 2017/ 31 December 2016	3,356	2,075
Ratio of gross impaired loans to total loans, advances and financing	1.9%	1.1%
(x) Movements in the allowance for impaired loans are as follows:		
Individual impairment allowance		
At 1 January	2,075	1,228
Allowance made during the year	1,299	1,132
Amounts written back during the year	(18)	(285)
At 30 June 2017/ 31 December 2016	3,356	2,075
Portfolio impairment allowance		
At 1 January	99	159
Net amount written back during the year	(12)	(60)
At 30 June 2017/ 31 December 2016	87	99
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	1.2%	1.2%

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
A8. Other assets				
Due from brokers and clients, net of allowance for impairment loss	1,024,624	785,557	1,022,227	783,772
Collateral pledged for derivative transactions	141,103	141,853	141,103	141,853
Other debtors, deposits and prepayments, net of allowance for doubtful debts	52,653	64,628	51,782	63,783
	1,218,380	992,038	1,215,112	989,408

	The Group and the Bank	
	30 June 2017	31 December 2016
	RM'000	RM'000
A9. Deposits from customers		
<u>(i) By type of deposits</u>		
Structured deposits	140,300	141,050
Short term money market deposits	1,693,020	76,073
	1,833,320	217,123
<u>(ii) By type of customers</u>		
Local government and statutory bodies	88,312	72,579
Business enterprises	1,665,459	64,495
Individuals	75,799	76,299
Others	3,750	3,750
	1,833,320	217,123

A10. Deposits and placements of banks and other financial institutions		
Licensed banks	774,134	648,203
Other financial institutions	272,807	331,954
	1,046,941	980,157

	The Group		The Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
A11. Other liabilities				
Due to brokers and clients	978,184	746,011	978,184	746,011
Others	188,651	136,388	186,389	134,077
	1,166,835	882,399	1,164,573	880,088

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd quarter ended		Six months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
A12. Interest income				
Group				
Loans, advances and financing	1,371	1,509	2,745	3,001
Money at call and deposits placements with banks and other financial institutions	9,240	7,877	17,638	15,664
Financial assets held for trading	11	25	36	51
Others	498	223	789	481
	11,120	9,634	21,208	19,197
Amortisation of premium less accretion of discount	2	(1)	3	2
	11,122	9,633	21,211	19,199
Bank				
Loans, advances and financing	1,371	1,509	2,745	3,001
Money at call and deposits placements with banks and other financial institutions	7,946	6,360	14,556	12,493
Financial assets held for trading	11	25	36	51
Others	498	223	789	481
	9,826	8,117	18,126	16,026
Amortisation of premium less accretion of discount	2	(1)	3	2
	9,828	8,116	18,129	16,028
A13. Interest expense				
Group				
Deposits and placements of banks and other financial institutions	8,226	8,141	15,884	14,904
Deposits from customers	1,061	689	1,759	3,045
Subordinated loans	126	73	260	135
	9,413	8,903	17,903	18,084
Bank				
Deposits and placements of banks and other financial institutions	8,226	8,141	15,884	14,904
Deposits from customers	1,061	689	1,759	3,045
	9,287	8,830	17,643	17,949
A14. Non interest income				
Group				
a) Fee income and commission income:				
Commissions	728	405	1,401	744
Portfolio management fees	-	1,672	-	3,034
Advisory and arrangement fees	12,526	15,904	15,742	20,509
Underwriting commissions	2,195	-	2,195	593
Placement fees	4,307	952	8,209	8,026
Other fee income	2,909	1,653	4,188	7,762
	22,665	20,586	31,735	40,668
b) Net trading income /(loss)				
Gain arising from trading in financial assets held for trading	741	294	5,751	655
- realised gain	1,354	410	5,282	771
- unrealised (loss)/gain	(613)	(116)	469	(116)
(Loss)/gain arising from trading in derivative financial instruments	(450)	106	(14,844)	86
- realised (loss)/gain	(8,770)	(414)	(15,031)	56
- unrealised gain	8,320	520	187	30
	291	400	(9,093)	741
c) Dividend income from:				
Financial assets held for trading	2	-	2	-
d) Other income:				
Foreign exchange gain/(loss)	3,925	2,401	19,969	(1,287)
Gain on disposal of property, plant and equipment	294	269	738	270
Other non-operating income	1,097	2,786	2,080	3,938
	5,316	5,456	22,787	2,921
e) Income from asset management and securities services	4,375	2,288	8,889	6,467
f) Brokerage Income	32,980	30,453	65,680	58,248
Total non interest income	65,629	59,183	120,000	109,045

PART A - EXPLANATORY NOTES (CONTINUED)

A14. Non interest income (Continued)

	2nd quarter ended		Six months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Bank				
a) Fee income and commission income:				
Commissions	728	405	1,401	744
Portfolio management fees	-	1,672	-	3,034
Advisory and arrangement fees	12,526	15,904	15,742	20,509
Underwriting commissions	2,195	-	2,195	593
Placement fees	4,307	952	8,209	8,026
Other fee income	2,909	1,653	4,188	7,762
	22,665	20,586	31,735	40,668
b) Net trading income /(loss)				
Gain arising from trading in financial assets held for trading	741	294	5,751	655
- realised gain	1,354	410	5,282	771
- unrealised (loss)/gain	(613)	(116)	469	(116)
(Loss)/gain arising from trading in derivative financial instruments	(450)	106	(14,844)	86
- realised (loss)/gain	(8,770)	(414)	(15,031)	56
- unrealised gain	8,320	520	187	30
	291	400	(9,093)	741
c) Dividend income from:				
Financial assets held for trading	2	-	2	-
d) Other income:				
Foreign exchange gain/(loss)	3,936	2,337	19,983	(1,283)
Gain on disposal of property, plant and equipment	294	269	738	270
Other non-operating income	1,099	2,785	2,082	3,938
	5,329	5,391	22,803	2,925
e) Income from asset management and securities services	4,375	2,288	8,889	6,467
f) Brokerage Income	31,939	28,994	63,563	55,489
Total non interest income	64,601	57,659	117,899	106,290

A15. Overheads

Group

Personnel costs

- Salaries, allowances and bonuses	38,825	31,519	70,887	61,616
- Pension cost (defined contribution plan)	3,788	3,905	7,589	7,688
- Overtime, meal and transport claims	94	108	173	202
- Others	1,932	3,232	3,473	4,888
	44,639	38,764	82,122	74,394

Establishment costs

- Depreciation of property, plant and equipment	5,112	4,311	10,466	8,716
- Depreciation of investment property	128	128	257	257
- Rental	7,057	6,891	13,815	13,264
- Others	1,981	2,074	5,724	6,536
	14,278	13,404	30,262	28,773

Marketing expenses

- Advertisement	1,039	669	1,279	281
- Entertainment expenses	986	466	2,533	1,867
- Others	409	622	747	1,625
	2,434	1,757	4,559	3,773

Administration and general expenses

- Legal and professional fees	740	314	1,445	396
- Communication	197	175	456	609
- Printing and stationery	623	260	948	484
- Administrative vehicle, travelling and insurance expenses	1,016	1,017	1,864	2,056
- Others	2,762	2,427	5,365	5,719
	5,338	4,193	10,078	9,264

Shared services cost #

	(7,189)	746	(17,179)	3,919
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Total overhead expenses

	59,500	58,864	109,842	120,123
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PART A - EXPLANATORY NOTES (CONTINUED)

A15. Overheads (Continued)

	2nd quarter ended		Six months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Bank				
Personnel costs				
- Salaries, allowances and bonuses	38,373	30,961	69,929	60,625
- Pension cost (defined contribution plan)	3,735	3,851	7,478	7,581
- Overtime, meal and transport claims	94	108	173	202
- Others	1,912	3,214	3,430	4,852
	44,114	38,134	81,010	73,260
Establishment costs				
- Depreciation of property, plant and equipment	5,077	4,269	10,395	8,634
- Depreciation of investment property	128	128	257	257
- Rental	6,848	6,617	13,067	12,377
- Others	1,973	2,066	5,702	6,528
	14,026	13,080	29,421	27,796
Marketing expenses				
- Advertisement	1,039	669	1,279	281
- Entertainment expenses	934	463	2,481	1,811
- Others	402	613	716	1,614
	2,375	1,745	4,476	3,706
Administration and general expenses				
- Legal and professional fees	643	239	1,104	140
- Communication	196	173	452	607
- Printing and stationery	623	260	948	484
- Administrative vehicle, travelling and insurance expenses	999	1,007	1,838	2,039
- Others	2,730	2,370	5,179	5,518
	5,191	4,049	9,521	8,788
Shared services cost #	(7,189)	746	(17,179)	3,919
Total overhead expenses	58,517	57,754	107,249	117,469

The allocation basis of support units cost and shared services cost was reviewed and refined on a regular basis.

A16. (Allowance for)/writeback of impairment losses on loans, advances and financing

The Group and the Bank

(Allowance for)/writeback of impairment losses on loans, advances and financing

(a) Individual impairment allowance				
- made during the financial year	(463)	(115)	(1,299)	(252)
- written back during the financial year	11	8	18	949
(b) Portfolio impairment allowance				
- Writeback/ (made) during the financial year	4	(10)	12	14
	(448)	(117)	(1,269)	711

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 at the end of reporting period, 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 amount RM'000	Fair values Assets RM'000	Liabilities RM'000
At 30 June 2017			
Trading derivatives			
<u>Foreign exchange derivatives</u>			
Currency forward			
- Less than 1 year	220,604	573	(476)
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	140,300	5,746	-
<u>Equity derivatives</u>			
Equity options			
- 1 year to 3 years	301,660	-	-
<u>Credit related contract</u>			
Total return swap			
- More than 3 years	280,600	5,562	(6,013)
Total derivative assets/(liabilities)	943,164	11,881	(6,489)
At 31 December 2016			
Trading derivatives			
<u>Foreign exchange derivatives</u>			
Currency forward			
- Less than 1 year	17,944	-	(90)
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	141,050	6,936	-
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	316,883	-	-
<u>Credit related contract</u>			
Total return swap			
- More than 3 years	282,100	5,983	(6,794)
Total derivative assets/(liabilities)	757,977	12,919	(6,884)

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 2017, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM11,881,000 (31 December 2016: RM12,919,000). 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 2017, the Group and the Bank has posted cash collateral of RM141 million (31 December 2016: RM142 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 2016.

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 enters 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 Group and the Bank.

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

	The Group and the Bank	
	30 June 2017	31 December 2016
	Principal amount RM'000	Principal amount RM'000
<u>Credit-related</u>		
Obligations under underwriting agreement	66,800	13,500
Irrevocable commitments to extend credit:		
- Maturity not exceeding 1 year	24	-
- Maturity exceeding 1 year	3,758	7,008
Total credit-related commitments and contingencies	70,582	20,508
<u>Treasury-related</u>		
Foreign exchange derivatives		
- Less than 1 year	220,604	17,944
Interest rate related contracts		
- Five years and above	140,300	141,050
Equity related contracts		
- One year to less than 5 years	301,660	316,883
Credit related contracts		
- Five years and above	280,600	282,100
Total treasury-related commitments and contingencies	943,164	757,977
	1,013,746	778,485

PART A - EXPLANATORY NOTES (CONTINUED)**A18. Capital Adequacy**

The capital adequacy framework applicable is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015. The revised guidelines took effect for all banking institutions on 1 January 2016 and will take effect for all financial holding companies on 1 January 2019. The revised guidelines set 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 Bank are computed in accordance with the BNM Capital Adequacy Framework (Basel II - RiskWeighted Assets) which was revised on 2 March 2017. 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 Bank are as follows:

	The Group		The Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Before deducting proposed dividend				
Common Equity Tier 1 Ratio	31.598%	35.635%	33.623%	39.553%
Tier 1 ratio	31.598%	35.635%	33.623%	39.553%
Total capital ratio	31.602%	35.635%	33.623%	39.553%
After deducting proposed dividend				
Common Equity Tier 1 Ratio	31.598%	32.344%	33.623%	35.689%
Tier 1 ratio	31.598%	32.344%	33.623%	35.689%
Total capital ratio	31.602%	32.344%	33.623%	35.689%

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

	The Group		The Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Credit risk	1,085,131	1,080,354	890,428	842,875
Market risk	151,009	53,653	150,530	53,119
Operational risk	589,547	597,796	570,122	579,052
Total risk-weighted assets	1,825,687	1,731,803	1,611,080	1,475,046

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

	The Group		The Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	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	501,309	542,491	465,516	508,706
Less : Proposed dividends	-	(57,000)	-	(57,000)
Common Equity Tier I capital before regulatory adjustments	601,309	585,491	565,516	551,706
<u>Less: Regulatory adjustments</u>				
Goodwill	(964)	(964)	-	-
Deferred Tax Assets	(14,132)	(15,891)	(14,007)	(15,771)
Deduction in excess of Tier 1 & 2 capital	-	(1,193)	(82)	(1,636) N1
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(7,104)	(5,102)	(7,689)	(5,767)
Others	(2,222)	(2,207)	(2,048)	(2,104)
Common equity tier I capital after regulatory adjustments	576,887	560,134	541,690	526,428
Total Tier I Capital	576,887	560,134	541,690	526,428
Tier II capital				
Redeemable Preference Shares	5	6	5	6
Portfolio impairment allowance and regulatory reserves	2,135	2,203	2,135	2,203
Tier II capital before regulatory adjustments	2,140	2,209	2,140	2,209
<u>Less: Regulatory adjustments</u>				
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(2,076)	(3,402)	(2,222)	(3,845) N1
Total Tier II capital	64	-	-	-
Total capital base	576,951	560,134	541,690	526,428

N1 The excess of 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 Management Committee as its chief operating decision-maker.

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

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

For management purposes, the Group is divided into five major business lines - Financial advisory, underwriting and other fees, Debt financing related, Equity related, Investments and securities services and Support and others. The business lines are the basis on which the Group reports its segment information.

Financial advisory, underwriting and other fees mainly comprise fees derived from structured financial solutions, origination of capital market products, mergers and acquisitions, secondary offerings, asset backed securities, debt restructurings, corporate advisory, Islamic capital market products. In addition, this segment also includes underwriting of primary equities and debt products.

Debt/financing related mainly comprises proprietary trading and market making, debt related derivatives and structured products. It also invests in proprietary capital.

Equity related mainly comprises institutional and retail broking business for securities listed on the Exchange. It also includes income from trading and investing in domestic and regional equities market.

Investments and securities services mainly comprise annuity income derived from fund management, unit trust, agency and securities services.

Support and others mainly comprise all middle and back-office processes and other related services which are non-core operations.

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:

The Group	Financial advisory, underwriting and other fees	Debt / financing related	Equity related	Investments and securities services	Support and others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2017						
Net interest income	-	632	-	-	2,676	3,308
Non interest income	21,192	6,366	71,069	18,943	2,430	120,000
Income from Islamic Banking operations	629	9,433	1,932	2,436	-	14,430
	<u>21,821</u>	<u>16,431</u>	<u>73,001</u>	<u>21,379</u>	<u>5,106</u>	<u>137,738</u>
Overheads	(16,967)	(8,511)	(62,149)	(21,400)	(815)	(109,842)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(1,406)	(83)	(3,759)	(5,210)	(8)	(10,466)
<i>Depreciation of Investment Property</i>	-	-	-	(257)	-	(257)
Profit/(loss) before allowances	4,854	7,920	10,852	(21)	4,291	27,896
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(1,269)	(1,269)
(Allowance for)/ write back of impairment losses on other receivables	(162)	88	244	18	-	188
Segment results	<u>4,692</u>	<u>8,008</u>	<u>11,096</u>	<u>(3)</u>	<u>3,022</u>	<u>26,815</u>
Share of results of associates						246
Profit before taxation						<u>27,061</u>
Taxation						<u>(10,639)</u>
Net profit for the financial period						<u>16,422</u>
30 June 2017						
Segment assets	11,001	3,143,626	1,224,830	36,522	203,422	4,619,401
Unallocated assets						47,019
Total assets						<u>4,666,420</u>
Segment liabilities	4,618	2,886,311	1,113,456	51,429	7,996	4,063,810
Unallocated liabilities						1,291
Total liabilities						<u>4,065,101</u>
Other segment items						
Incurring capital expenditure:						
- addition of property, plant and equipment	54	-	357	405	499	1,315
Amortisation of premium less accretion of discount	-	3	-	-	-	3

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)

The Group 30 June 2016	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
Net interest (expense)/income	-	(1,764)	-	-	2,879	1,115
Non interest income	27,314	7,506	57,138	15,191	1,896	109,045
Income from Islamic Banking operations	2,709	24,882	1,474	1,461	485	31,011
	30,023	30,624	58,612	16,652	5,260	141,171
Overheads	(24,547)	(10,095)	(60,748)	(23,547)	(1,186)	(120,123)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(1,372)	(88)	(4,333)	(2,915)	(8)	(8,716)
<i>Depreciation of Investment Property</i>	-	-	-	(257)	-	(257)
Profit/(loss) before allowances	5,476	20,529	(2,136)	(6,895)	4,074	21,048
Write back of impairment losses on loans, advances and financing	-	-	-	-	711	711
(Allowance for)/write back of impairment losses on other receivables	(1,076)	403	302	30	(1)	(342)
Segment results	4,400	20,932	(1,834)	(6,865)	4,784	21,417
Share of results of associates						301
Profit before taxation						21,718
Taxation						(7,440)
Net profit for the financial period						14,278
31 December 2016						
Segment assets	18,824	1,488,053	934,923	41,096	218,128	2,701,024
Unallocated assets						41,670
Total assets						2,742,694
Segment liabilities	5,294	1,209,102	828,744	48,942	4,479	2,096,561
Unallocated liabilities						3,632
Total liabilities						2,100,193
Other segment items						
Incurring capital expenditure:						
- addition of property, plant and equipment	813	37	2,687	2,111	1	5,649
Amortisation of premium less accretion of discount	-	2	-	-	-	2

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 2017 and 31 December 2016

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Group					
30 June 2017					
<i>Recurring fair value measurement</i>					
Financial assets					
Financial assets held for trading	567	267	300	-	567
Financial investments available-for-sale	1,433	-	-	1,433	1,433
Derivative financial instruments					
- Trading derivatives	11,881	-	11,881	-	11,881
Total	13,881	267	12,181	1,433	13,881
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	6,489	-	6,489	-	6,489
Total	6,489	-	6,489	-	6,489

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Bank					
30 June 2017					
<i>Recurring fair value measurement</i>					
Financial assets					
Financial assets held for trading	567	267	300	-	567
Financial investments available-for-sale	611	-	-	611	611
Derivative financial instruments					
- Trading derivatives	11,881	-	11,881	-	11,881
Total	13,059	267	12,181	611	13,059
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	6,489	-	6,489	-	6,489
Total	6,489	-	6,489	-	6,489

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 2017 and 31 December 2016 (Continued)

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Group					
31 December 2016					
<i>Recurring fair value measurement</i>					
Financial assets					
Financial assets held for trading	267	267	-	-	267
Financial investments available-for-sale	1,303	-	-	1,303	1,303
Derivative financial instruments					
- Trading derivatives	12,919	-	12,919	-	12,919
Total	14,489	267	12,919	1,303	14,489
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	6,884	-	6,884	-	6,884
Total	6,884	-	6,884	-	6,884

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
The Bank					
31 December 2016					
<i>Recurring fair value measurement</i>					
Financial assets					
Financial assets held for trading	267	-	267	-	267
Financial investments available-for-sale	611	-	-	611	611
Derivative financial instruments					
- Trading derivatives	12,919	-	12,919	-	12,919
Total	13,797	-	13,186	611	13,797
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	6,884	-	6,884	-	6,884
Total	6,884	-	6,884	-	6,884

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 2017 and 31 December 2016 for the Group and the Bank.

The Group	Financial Assets	
	Financial investments available-for-sale RM'000	Total RM'000
30 June 2017		
At 1 January/ 30 June 2017	1,303	1,303
Total gain recognised in other comprehensive income	130	130
At 30 June 2017	<u>1,433</u>	<u>1,433</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June	<u>130</u>	<u>130</u>

The Bank	Financial Assets	
	Financial investments available-for-sale RM'000	Total RM'000
30 June 2017		
At 1 January/ 30 June 2017	<u>611</u>	<u>611</u>

The Group	Financial Assets	
	Financial investments available-for-sale RM'000	Total RM'000
31 December 2016		
At 1 January	1,437	1,437
Total loss recognised in Statement of income	(134)	(134)
At 31 December 2016	<u>1,303</u>	<u>1,303</u>
Total loss recognised in Statement of income relating to assets held on 31 December 2016	<u>(134)</u>	<u>(134)</u>

The Bank	Financial Assets	
	Financial investments available-for-sale RM'000	Total RM'000
31 December 2016		
At 1 January	745	745
Total loss recognised in Statement of income	(134)	(134)
At 31 December 2016	<u>611</u>	<u>611</u>
Total loss recognised in Statement of income relating to assets held on 31 December 2016	<u>(134)</u>	<u>(134)</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A21. The operations of Islamic Banking

A21a. Unaudited Statements of Financial Position as at 30 June 2017

	Notes	The Group and the Bank	
		30 June 2017	31 December 2016
		RM'000	RM'000
Assets			
Cash and short-term funds		378,546	428,970
Islamic derivative financial instruments		11,307	12,919
Other assets		145,539	181,542
Tax recoverable		4,642	1,172
Deferred tax assets		43	25
Property, plant and equipment		179	229
Amount due from related companies		426	432
Total assets		540,682	625,289
Liabilities and Islamic Banking capital funds			
Deposits from customers	A21c	140,300	141,050
Islamic derivative financial instruments		6,013	6,794
Other liabilities		17,072	49,454
Amount due to related companies		413	402
Total liabilities		163,798	197,700
Islamic Banking capital funds		55,696	55,696
Reserves		321,188	371,893
Total Islamic Banking capital funds		376,884	427,589
Total liabilities and Islamic Banking capital funds		540,682	625,289

PART A - EXPLANATORY NOTES (CONTINUED)

A21. The operations of Islamic Banking

A21b. Unaudited Statements of Income for the financial period ended 30 June 2017

	The Group and the Bank			
	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of shareholders' funds (Allowance for)/writeback of impairment losses on other receivables	8,998	10,486	14,432	31,012
	(43)	(100)	41	(103)
Total attributable income	8,955	10,386	14,473	30,909
Income attributable to the depositors	(1)	(1)	(2)	(1)
Total net income	8,954	10,385	14,471	30,908
Personnel expenses	(288)	(301)	(581)	(509)
Other overheads and expenditures	(3,130)	(2,592)	(5,492)	(5,404)
Profit before taxation	5,536	7,492	8,398	24,995
Taxation	(1,382)	(2,216)	(2,104)	(6,053)
Profit after taxation/total comprehensive income for the period	4,154	5,276	6,294	18,942
<u>Income from Islamic operations (per page 2)</u>				
Total net income	8,954	10,385	14,471	30,908
Less : Allowance for/(writeback of) impairment losses on other receivables	43	100	(41)	103
	8,997	10,485	14,430	31,011

A21c. Deposits from customers

	The Group and the Bank	
	30 June	31 December
	2017	2016
	RM'000	RM'000
<u>(i) By type of deposits</u>		
Term deposits		
Specific investment account		
Mudharabah	140,300	141,050
<u>(ii) Maturity structure of term deposits :</u>		
More than five years	140,300	141,050
<u>(iii) By type of customers</u>		
Government and statutory bodies	54,400	54,400
Business enterprises	6,350	6,600
Individuals	75,800	76,300
Others	3,750	3,750
	140,300	141,050

PART A - EXPLANATORY NOTES (CONTINUED)

A21d. Capital Adequacy

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

	The Group and the Bank	
	30 June 2017	31 December 2016
Before deducting proposed dividend		
Common Equity Tier 1 Ratio	142.451%	162.516%
Tier 1 ratio	142.451%	162.516%
Total capital ratio	142.451%	162.516%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	142.451%	140.851%
Tier 1 ratio	142.451%	140.851%
Total capital ratio	142.451%	140.851%

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

	The Group and the Bank	
	30 June 2017	31 December 2016
	RM'000	RM'000
Credit risk	162,019	160,917
Market risk	9,246	10,029
Operational risk	93,275	92,144
Total risk-weighted assets	<u>264,540</u>	<u>263,090</u>

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

	The Group and the Bank	
	30 June 2017	31 December 2016
	RM'000	RM'000
Common Equity Tier I capital		
Ordinary share capital	55,696	55,696
Other reserves	321,188	371,893
Less : Proposed dividend	-	(57,000)
Common Equity Tier I capital / Total Tier I Capital	<u>376,884</u>	<u>370,589</u>
Less: Regulatory adjustments		
Deferred Tax Assets	(43)	(25)
Common equity tier I capital after regulatory adjustments / total Tier I capital	<u>376,841</u>	<u>370,564</u>
Total capital base	<u>376,841</u>	<u>370,564</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A22. Credit transactions and exposures with connected parties

	The Group	
	30 June 2017	31 December 2016
	RM'000	RM'000
Outstanding credit exposures with connected parties	27,443	27,652
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	0.7%	1.3%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.0%	0.0%

PART B

B1. Group Performance Review

The Group registered a profit before taxation of RM 27.1 million for the period ended 30 June 2017 as compared to RM21.7 million in 2016.

Net interest income and non interest income increased by RM2.2 million and RM11 million respectively offset by decrease in Income from Islamic Banking operations by RM16.6 million.

Overheads remained well under control, decreased by 8.6% from RM120.1 million to RM109.8 million.

B2. Prospects for the Current Financial Year

Equity capital market and M&A activity are showing gradual improvements. While there remains significant interest from investors and issuers, sentiment continues to be cautious while transactions are opportunistic. Prospects for the fixed income market are dependent on the direction of interest rates and currencies.

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 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	11,123	9,349	16,422	14,278
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share (expressed in sen per share)	11.1	9.3	16.4	14.3

	The Bank			
	2nd quarter ended		Six months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	9,994	7,725	14,544	11,620
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share (expressed in sen per share)	10.0	7.7	14.5	11.6

b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 30 June 2017 and 31 December 2016.